

JEA FINANCE & AUDIT COMMITTEE MINUTES
May 8, 2017

The Finance & Audit Committee of JEA met on Monday, May 8, 2017, 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 Kelly Flanagan called the meeting to order at 8:00 AM with Member Husein Cumber in attendance. Board Chair Pro Tem Tom Petway attended telephonically. Others in attendance were Paul McElroy, Melissa Dykes, Brian Roche, Mike Hightower, Mike Brost, Ted Hobson, Jody Brooks, Steve Tuten, Joe Orfano, Walette Stanford, Janice Nelson, Ryan Wannemacher, Steve McInall, Larry Pinkstaff, Dan Mishra, Barry Greenleaf, Tom Davis, David Jolley, and Judi Spann. Russ Jeans, Ernst & Young; David Cawton, Financial News and Daily Record; and Rob Smedley, RS&H, were also in attendance.
- B. Adoption of Agenda – The agenda was adopted on **motion** by Mr. Cumber and second by Chair Pro Tem Petway.
- C. Approval of Minutes – The March 13, 2017 minutes were unanimously approved on **motion** by Husein Cumber and second by Chair Pro Tem Petway.

Agenda Item II – New Business

- A. FY2018 Budget Presentation – Melissa Dykes, Chief Financial Officer, introduced Ryan Wannemacher, Director, Financial Planning and Analysis. Ms. Dykes and Mr. Wannemacher presented and reviewed the FY2018 draft budget and process. Staff requested the Committee provide feedback and direction regarding the key strategic issues and major budget assumptions used in preparing the FY2018 operating and capital budget including revenue, O&M expense levels, interest rates and debt structure, financial metrics and regulatory accounting items. The proposed budgets include considerable internal funding for the capital program in an effort to support the “pay-go” philosophy. Ms. Dykes stated the budget includes a record high contribution to the City of Jacksonville General Fund in the amount of \$117.0 million. Mr. Wannemacher noted the revision to the slide FY2018 Electric System Budget: Debt Service revising JEA’s credit rating to remove the positive rating. Staff also recommended that the Finance and Audit Committee provide feedback and direction, in its report or staff presentation to the Board at the May 16, 2017 meeting for final Board approval at the June 20, 2017 meeting. This presentation was received for information, advice and direction.
- B. Quarterly Audit Services Update – Steve Tuten, Director, Audit Services, provided an update to the Committee regarding vacant positions, progress of the FY17 Internal Audit Plan, open audit and investigation report issues, Enterprise Risk Management (ERM) highlights, risks and trend report, and the Ethics Hotline Report. This presentation was received for information.
- C. Identity Theft Protection Program Fair and Accurate Credit Transactions Act (FACTA) Annual Risk Assessment – Dan Mishra, Director, CIP Compliance, provided the annual report to the Committee as mandated by federal regulations governing identity theft. Mr. Mishra stated the primary objective of JEA’s Identity Theft Protection Program (PII) is to prevent identity fraud involving JEA customers. This presentation was provided for information.
- D. Ethics Officer Quarterly Report – Walette Stanford, Ethics Officer and Director, Workforce Strategies, provided an update regarding ethics inquiries, FY17 gift registry, Business Ethics Training Survey results and information on an upcoming Ethics Decision Tree handout to be distributed in August 2017. This presentation was received for information.

E. Treasury

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. JEA Investment Policy – Revision to Investment Limitations – Joe Orfano, Treasurer, presented a revision to Table 1 of the JEA Investment Policy. Mr. Orfano stated the recommendation is to include the State of Florida Local Government Surplus Funds Trust Fund (“Florida Prime”) in Table 1. The addition of Florida Prime would provide improved portfolio diversification and day-to-day operations, providing for the opportunity to improve the investment portfolio yield. On **motion** by Mr. Cumber and second by Chair Pro Tem Petway, the revision to Table 1 of the Investment Policy was unanimously approved.

- F. JEA Energy Market Risk Management Policy Report – Mike Brost, Vice President/General Manager, Electric Systems, reviewed the Energy Market Risk Management Policy Report, which was received for information.

G. Announcements

1. The next Finance and Audit Committee meeting will be held on August 7, 2017, at 8:00 AM.

Paul McElroy, Managing Director/CEO, requested to add a New Business item consisting of the Draft Definitive Agreements for the Retirement, Decommissioning and Dismantlement of the St. Johns River Power Park. Handouts were provided to Committee Members including a summary of key transactions, draft timeline, comparison of term sheet against terms in definitive agreements, and draft Asset Transfer and Contract Termination Agreement. Staff will present this item for action at the May 16, 2017 Board Meeting. Paul McElroy recognized Jody Brooks, Mike Brost, Melissa Dykes, Larry Pinkstaff, Steve McInall, Latham & Watkins, LLP, and the General Counsel with Florida Power & Light Company for their hard work.

H. Committee Discussion Sessions

1. Ernst & Young – At 9:24 AM, Ms. Flanagan dismissed staff and the Committee held a general conversation with Russ Jeans.
2. Director, Audit Services – At 9:28 AM, Ms. Flanagan and the Committee held a general conversation with Steve Tuten, Director, Audit Services.
3. Council Auditor’s Office – The Council Auditor’s Office was not in attendance.

Closing Considerations

With no further business claiming the attention of this Committee, the meeting was declared adjourned at 9:30 AM.

APPROVED BY:

Kelly Flanagan, Committee Chair
Date: _____

Submitted by:

Melissa Charleroy
Executive Assistant