The Finance & Audit Committee of JEA met on Monday, March 18, 2019, in the 8th Floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida.

Agenda Item I – Opening Considerations

A. Call to Order – Committee Chair Kelly Flanagan called the meeting to order at 8:01 AM. In attendance were Aaron Zahn, Ryan Wannemacher, Caren Anders, John McCarthy, Joe Orfano,Walette Stanford, Gregory Taggart, Steven Tuten, Kristina Quarterman, Gina Kyle, Gerri Boyce.

Due to a lack of quorum physically present, agenda items were received for information only. Action items will be brought before the full Board for action at the Board of Directors meeting on March 26, 2019.

B. Adoption of Agenda – Due to a lack of quorum, the agenda was received for information.

C. Approval of Minutes – Due to a lack of quorum, the December 3, 2018 Minutes were received for information.

Agenda Item II – New Business

A. FY2020 Budget Assumptions – Juli Crawford, Direct, Financial Planning & Analysis presented and reviewed the FY2020 Budget Assumptions and process, requesting Committee feedback and discussion. Items covered included key strategic issues, risks, major challenges, and assumptions. Ms. Crawford stated strategic issues focus on emphasizing business excellence opportunities, workforce readiness, financial performance and flexibility, with risks relating to evolution of the electric industry and constraints in the electric generation, water resource management and the health of the St. Johns River. Key assumptions relate to revenue projections, fuel and purchased power costs, and labor costs. Ms. Crawford, provided information on FY2020 Electric and Water and Sewer System Budget Assumptions, including customer bill by expense category, revenue drivers, fuel rate, operating expenses, capital funding, debt service, and government transfers. Ms. Crawford stated staff will prepare a draft budget for review at the May 20, 2019 Finance and Audit Committee meeting. This presentation was received for information.

B. JEA Annual Disclosure Policy Report – Ryan Wannemacher, Chief Financial Officer, presented JEA’s Disclosure Policies and Procedures require that the Chief Financial Officer shall provide the Finance and Audit Committee each year with a report regarding the compliance with those policies in the preceding twelve-month period and to present recommendations, if any, for changes to those policies. Mr. Wannemacher stated staff is in the process of preparing the Annual Disclosure Reports for the fiscal year ended September 30, 2018, and plans to seek the Board’s approval and authorization to disseminate those reports at its April 23, 2019 Board Meeting. This item was received for information.

C. Quarterly Audit Services Update – Steve Tuten, Director, Audit Services, provided a report on Enterprise Risk Management (ERM) and its future state. He also discussed Internal Audit highlights, including the progress of the team’s FY19 Plan, and open audit and investigation report issues. Mr. Tuten also reported on 1Q19 investigative case statistics and closed cases. He stated that the Ethics Investigations & Audit Team is now the Forensic Audit & Investigations Team; the new name better correlates with the work that the team performs. This presentation was received for information.
D. Ethics Officer Quarterly Reports – Walette Stanford, Ethics Officer and Director, Workforce Strategies, provided an update regarding ethics inquiries and the FY19/20 gift registry. Ms. Stanford stated there would be a quarterly newsletter this quarter with this quarter focusing on fraud. Ms. Stanford stated JEA’s company-wide Business Ethics training begins March 1, 2019 for 100% completion no later than March 31, 2019. Ms. Stanford is looking to revamp tracking mechanisms and is currently working with Audit Services on a Nepotism review. The Nepotism review is planned for completion by March 31, 2019. 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. STAR Plan Early Debt Retirement Phase 1 Update – Joe Orfano, Treasurer, presented that on February 21, 2019, staff utilized Electric System Revenue Funds and Renewal and Replacement Funds to defease $34,930,000 in Electric System bonds and $65,160,000 in Subordinated Electric System bonds and Water and Sewer Renewal and Replacement Funds to defease $82,970,000 in Water and Sewer System bonds and $11,985,000 in Subordinated Water and Sewer System bonds for combined early debt retirements totaling $195,045,000. This item was submitted for information only as part of staff’s responsibility to periodically report early debt retirement activities to the Board.

F. Investment Policy Revision – Joe Orfano, Treasurer, presented that Section 7.0, Authorized Investments, refers to Table 1, Investment Limitations and lists the percentage limitations for the various investment types held in the investment portfolio. The eligible investments are based primarily on the investments allowed per each system’s bond resolution.

Staff is proposing an increase to the percentage limit for intergovernmental pools from 15% to 20% of the investment portfolio. The intergovernmental pools provide the highest yield among the options available to JEA to meet overnight liquidity needs. As the investment portfolio has decreased in size, increasing the percentage limit would help maintain the dollar amount allowed to be invested in the intergovernmental pools. The pools include the Florida Education Investment Trust Fund (“FEITF”) managed by PFM, and Florida Prime, managed by Federated Investors and administered by the Florida State Board of Administration. Both pools are rated AAA by Standard and Poor’s. Staff recommended that the Finance and Audit Committee and the Board approve the revision to Table 1 of the Investment Policy.


H. Program Assessment, Ted Hobson, VP/Chief Compliance officer presented that the Finance and Audit Committee requested staff facilitate the performance of an Independent Cybersecurity Program Assessment for JEA, using the services of Ernst and Young. In December the Compliance group in cooperation with Technology Services began discussions with E&Y on a scope of services for this assessment. JEA has concluded the discussions and has a draft Statement of Work (“SOW”) with E&Y. This SOW encompasses a broad scope of work, which will provide a comprehensive, independent and detailed assessment of JEA’s cybersecurity program in the form of a written report. The SOW also includes a timeline for the work, and a proposed fixed fee for the services. The form of action is for the Board to authorize the Board Chair to finalize and approve a direct contract with E&Y to provide a written report consisting of a comprehensive, independent and detailed assessment of JEA’s cybersecurity program; inclusive of such terms, services and
conditions as deemed appropriate by the Board Chair in consultation with JEA staff, for a fixed cost not to exceed the amount of $475,000 plus 15% (i.e., $71,250) for direct expenses. Due to a lack of quorum, this item was received for information and will be presented at the March 26, 2019 Board Meeting for action.

I. Announcements
   1. The next Finance and Audit Committee meeting will be held on May 20, 2019, at 8:00 AM.

J. Committee Discussion Sessions
   1. There were no committee discussions at the conclusion of this meeting.

**Closing Considerations**

With no further business claiming the attention of this Committee, the meeting was declared adjourned at 8:55AM

APPROVED BY:

______________________________
Kelly Flanagan, Committee Chair
Date: _______________________

Submitted by:

______________________________
Madricka Jones
Executive Assistant