

JEA FINANCE & AUDIT COMMITTEE MINUTES
March 12, 2021

The Finance & Audit Committee of JEA met on Friday, March 12, 2021 on the 19th Floor, 21 W. Church Street, Jacksonville, Florida. Pursuant to City of Jacksonville Emergency Proclamation, attendees were required to wear masks, CDC guidelines and social distancing were required at the physical location, and the meeting was also accessible via WebEx. In attendance physically were John Baker and Bobby Stein. Marty Lanahan participated in the meeting via WebEx. Also in attendance physically were Jody Brooks, Chief Administrative Officer and Jay Stowe, Managing Director/CEO.

Agenda Item I – Opening Considerations

- A. **Call to Order** – Chair Marty Lanahan called the meeting to order at 9:00 a.m. Committee members John Baker and Bobby Stein being present for the meeting constituted a quorum.
- B. **Safety Briefing and Moment** – Anthony Long, Director, Safety & Health Services, provided a safety briefing for those in attendance at the meeting. Steve Tuten, Director, Audit Services, referencing materials provided to the Committee in advance of the meeting, presented the safety moment, Hierarchy of Controls.
- C. **Adoption of Agenda** – On *motion* by John Baker and seconded by Bobby Stein the agenda was adopted.
- D. **Approval of Minutes** – On *motion* by Bobby Stein and seconded by John Baker, the Minutes of the December 11, 2020 Committee meeting were unanimously approved.

Agenda Item II – New Business

- A. **Rates and Fees Update** – Juli Crawford, Director, Financial Planning & Analysis, referencing materials provided to the Committee in advance of the meeting, provided an update on the 12 month plan for rates and fees. Ms. Crawford presented a detailed tentative rate action timeline, fuel charges, and electric base rates. Ms. Crawford provided an example of the impact of the proposed FY22 electric base rates on a residential customer bill. Lastly, Ms. Crawford presented details on the water/wastewater capacity fees.

This presentation was received for information only.
- B. **FY2022 Budget Assumptions** – Juli Crawford, Director, Financial Planning & Analysis, began by stating this will be the first of several presentations on the proposed FY22 budget. Referencing materials provided to the Committee in advance of the meeting, Ms. Crawford provided details on strategic items, key assumptions, the electric budget assumptions, water/wastewater budget assumptions, government transfers, and the budget timeline.

This presentation was received for information only.
- C. **Quarterly Audit Services Update** – Steve Tuten, Director, Audit Services, referencing materials provided to the Committee in advance of the meeting, presented updates on Enterprise Risk Management, Forensic Audit Investigations, and Internal Audits.

This presentation was provided for information only.
- D. **Ethics Officer Quarterly Report** – Walette Stanford, Ethics Officer, referencing materials provided to the Committee in advance of the meeting, provided details on the Due Diligence Best Practice Checklist, ethical culture tools, elevating JEA’s ethical culture, implementation of the new

Ethics Pride Badge, ethics inquiries by year and categories, and what's next for the Ethics department.

This presentation was provided for information only.

E. Treasury

1. Electric System and Water and Sewer System Reserve Fund Quarterly Report – Joe Orfano, Interim VP, Financial Services, referencing materials provided to the Committee in advance of the meeting, provided a high level overview of the JEA's Electric System and Water and Sewer reserve fund balances. Mr. Orfano explained the fuel rate stabilization fund, projected days of liquidity, and unrestricted funds in the electric system. Mr. Orfano further outlined the projected days of liquidity and projected R&R fund balance in the water/wastewater system. Lastly, Mr. Orfano stated that he has indicated at prior committee meetings the upcoming need of the issuance of new debt, and the timing has been discussed, to partially fund capital projects.

This presentation was provided for information only.

2. JEA Variable-Rate Debt Analysis – Mr. Orfano introduced Michael Mace, PFM Financial Advisors LLC providing a short bio on Mr. Mace's professional and educational background. Mr. Mace, referencing materials provided to the Committee in advance of the meeting, presented the history of long and short term municipal rates, variable-rate debt in the municipal market, variable-rate debt risks and considerations, interest rate risk, interest rate risk as a percentage of revenue, structure risk, fixed-rate market opportunities, and municipal utility industry peer comparisons. Mr. Mace concluded the presentation by explaining JEA's history of savings with the use of variable-rate debt, JEA and customers limited exposure to changes in short-term interest rates, JEA structure risk, and low long-term rates.

This presentation was provided for information only.

F. JEA Energy Market Risk Management Policy –

1. Quarterly Report – Ricky Erixton, VP Electric Systems, referencing materials provided to the Committee in advance of the meeting, provided an update on the Energy Market Risk Management report. Mr. Erixton stated the fuel fund is in good shape and all other metrics are in the green.

This presentation was received for information only.

2. Approval of Revision Policy – Ricky Erixton, VP Electric Systems, referencing materials provided to the Committee in advance of the meeting, presented the administrative changes to the JEA Energy Market Risk Management Policy and requested the Committees approval of the changes.

On *motion* by John Baker and seconded by Bobby Stein the changes to the policy were unanimously approved.

G. Announcements – Next meeting, July 16, 2021 9:00am – 11:00am

J. Committee Discussions Sessions

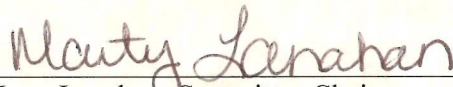
At 10:46 A.M., Ms. Lanahan asked the Committee to enter into Executive Session. All meeting participants were excused excluding JEA Board Members, John DiSanto, Steve Tuten, Jody Brooks and Madricka Jones.

1. Ernst & Young: At 10:47 A.M., Mr. DiSanto engaged the Committee.
2. Director, Audit Services: At 10:54 A.M., Mr. Tuten engaged the Committee.
3. Council Auditor's Office: No Council Auditor representative was in attendance.

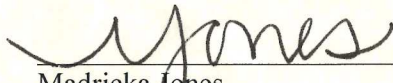
Adjournment

With no further business requiring the attention of the Committee, the meeting was declared adjourned at 10:59 A.M.

APPROVED BY:


Marty Lanahan, Committee Chair
Date: 5-14-2021

Submitted by:


Madricka Jones
Executive Assistant to CEO