

JEA FINANCE & AUDIT COMMITTEE MINUTES
December 11, 2020

The Finance & Audit Committee of JEA met on Friday, December 11, 2020 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 Marty Lanahan, John Baker, and Bobby Stein. Also in attendance physically was Jody Brooks, Office of General Counsel. Joseph DiSalvo, Dr. Leon Haley, and Zachary Faison joined via WebEx, as well as Jay Stowe.

Agenda Item I – Opening Considerations

- A. **Call to Order** – Chair Marty Lanahan called the meeting to order at 10:02 a.m. Committee members John Baker (Board Chair) and Bobby Stein were in attendance physically which constituted a quorum. Jody Brooks provided a **Safety Briefing** for those in attendance physically after the meeting was called to order.
- B. **Adoption of Agenda** – On *motion* by John Baker and seconded by Bobby Stein the agenda was adopted.
- C. **Approval of Minutes** – On *motion* by Bobby Stein and seconded by John Baker, the Minutes of the August 14, 2020 Committee meeting were approved.

** Due to technical difficulties there was a 10 minute recess. The meeting stopped at 10:10am and resumed at 10:20am. **

Agenda Item II – New Business

- A. **Ernst & Young FY2020 External Audit Report** – John DiSanto, Ernst & Young, presented an overview of the 2020 Audit Report. Copies of the presentation, along with draft copies of the Audited Financials, were provided to Committee Members in advance of the meeting for review. Mr. DiSanto and Committee Chair Lanahan commended the JEA team and the Ernst & Young team for their work on the audit.

This presentation was received for information only.

- B. **JEA Identity Theft Protection Program Annual Risk Assessment** – Dan Mishra, Director, CIP Compliance provided the annual report to the Committee, mandated by federal regulations concerning identity theft. Mr. Mishra stated the regulations address the protection of Personally Identifiable Information (PII) of customers, employees, agents and contractors in JEA's possession. Mr. Mishra reviewed the program metrics, operational metrics, 2019 identity theft summary results, data loss prevention exposure, process improvement, risk mitigation and long-term improvement proposals.

Committee Chair Lanahan requested a further deep dive in future Finance and Audit Committee meetings.

This presentation was received for information only.

- C. **Ethics Officer Quarterly Report** – Walette Stanford, Ethics Officer, provided an update regarding the FY21 ethics strategy, ethical integration, ethics officer inquiries and categories, the Ethical Leadership workshops, workshop action plan and what's next for Business Ethics.

This presentation was provided for information only.

- D. JEA Code of Conduct and Code of Ethics** – Walette Stanford, Ethics Officer, presented the JEA Code of Conduct and Code of Ethics by providing a summary of both documents. Ms. Stanford stated JEA previously used ethical guidelines and also stated this is just a framework that can be updated. Ms. Stanford also stated The Code of Conduct and Code of Ethics will be rolled out to employees in FY21. A copy of the Code of Conduct and Code of Ethics was provided to the Committee in advance of the meeting for review.

On *motion* by Bobby Stein and seconded by John Baker, the Code of Conduct of Code of Ethics were approved unanimously.

- E. Enterprise Risk Management and Compliance Policy** – Steve Tuten, Interim Chief Compliance Officer, presented the updated Enterprise Risk Management Compliance Policy. Mr. Tuten explained that the updated policy proposes a greater reliance on the Risk Working Group that uses the Three Lines of Defense methodology. Management recommends the Committee approve the updated policy

On *motion* by John Baker and Bobby Stein the updated Enterprise Risk Management and Compliance Policy was approved unanimously

- F. Audit Services – Quarterly Audit Services Update** – Steve Tuten, Interim Chief Compliance Officer presented the Quarterly Audit Services update. Mr. Tuten announced the start of a ERM analyst and acknowledged the Lab Services for having no audit issues in their area. Referencing material provided to the Committee in advance of the meeting, Mr. Tuten focused on the summary of the closed cases for FY20 and then concluded the presentation.

This presentation was received for information only.

G. Rates

1. Water/Wastewater Capacity Fees – Brian Roche, Interim Chief Financial Officer, provided a presentation on capacity fees, providing the background, cost recovery structure and FY21 forecast. Mr. Roche requested feedback from the Committee on the timeline review as to if they preferred staff to come back the F&A committee before going to the full Board for a public rate hearing, in which the Committee replied yes. Mr. Roche resumed the presentation by reviewing current pricing, cost of service methodologies, benchmarks, other water & sewer items, economic development and next steps.

This presentation was provided for information only.

2. Irrigation and 10” Metered Service Water Rates – Referenced in the Capacity Fees presentation.

3. Economic Development Rates – Referenced in the Capacity Fees presentation.

H. 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.

This presentation was received for information only.

2. Bond Refunding Delegation Resolutions – Joe Orfano, Treasurer, presented the Bond Refunding Resolutions (2020-12, 2020-13, 2020-14, 2020-15, 2020-16) and recommends the Resolutions, as well as related forms be taken to full Board for approval. All Resolutions and related forms were provided to the Committee prior to the meeting for review.

On *motion* Bobby Stein and seconded by John Baker the recommendation was approved unanimously.

3. Update on JEA Unhedged Variable Rate Debt Portfolio – Joe Orfano, Treasurer, provided an update on the unhedged variable rate debt portfolio. Mr. Orfano stated the Staff will engage JEA’s financial advisor and provide an analysis on the variable rate portfolio to be presented to the Committee at a later meeting.

This presentation was received for information only.

I. Announcements – Next meeting, March 12, 2021 9:00am – 11:00am

J. Committee Discussions

At 12:06 P.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 12:06 P.M., Mr. DiSanto engaged the Committee.
2. Director, Audit Services: At 12:10 P.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 12:13 P.M.

APPROVED BY:

Marty Lanahan

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

Submitted by:

M Jones

 Madricka Jones
 Executive Staff Assistant