

JEA FINANCE & AUDIT COMMITTEE MINUTES
May 9, 2016

The Finance & Audit Committee of JEA met on Monday, May 9, 2016, in the 8th Floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida.

Agenda Item I – Opening Considerations

- A. Call to Order – Board Chair Petway called the meeting to order at 8:03 AM with Member Husein Cumber in attendance. Committee Chair Flanagan and Board Vice Chair Ed Burr attended telephonically. Others in attendance were Paul McElroy, Melissa Dykes, Paul Cosgrave, Mike Brost, Brian Roche, Ted Hobson, Angie Hiers, Steve Tuten, Janice Nelson, Dan Mishra, Joe Orfano, Judi Spann, Steve McInall, Walette Stanford, Ryan Wannemacher, Jane Upton, David Jolley, and Gerri Boyce. Jody Brooks, Office of General Counsel, Chris Edmunds, Ernst & Young, and Robert Campbell, Council Auditors Office, were also in attendance.

Due to a lack of quorum physically present, agenda items were received for information only. Action items will be brought before the May 17, 2016 full Board for action.

- 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 March 7, 2016 Minutes were received for information.

Agenda Item II – New Business

- A. FY2017 Budget Presentation – Melissa Dykes, Chief Financial Officer, introduced Ryan Wannemacher, Director, Financial Planning and Analysis. Ms. Dykes and Mr. Wannemacher presented and reviewed the FY2017 draft budget and process. Staff requested Committee feedback and direction regarding the key strategic issues and major budget assumptions used in preparing the FY2017 operating and capital budgets including: revenue, O&M expense levels, interest rates and debt structure, financial metrics, and regulatory accounting items. Mr. Wannemacher stated Budget assumptions include: no rate adjustments for Electric or Water and Sewer systems and financial metrics that are within Pricing Policy goals. The proposed budgets include considerable internal funding for the capital program in an effort to support the “pay-go” philosophy for all recurring capital expenditures. The budget includes a record high contribution to the City of Jacksonville General Fund in the amount of \$115.3 million. In connection with the Pricing Policy, the budget was prepared using regulatory accounting and as such, included items for Pension, Demand-side Management (DSM)/Conservation, Debt Management, Environmental, Purchased Power and Self-Funded Health Plan. Staff also requested the Finance and Audit Committee provide feedback and direction in its report or staff presentation to the Board at the May 17, 2016 meeting, for final Board approval at the June 21, 2016 Board Meeting, prior to the submission to the City Council by July 1, 2016. This item was received for information.
- B. Update on Procurement for External Auditor – Janice Nelson, Controller, presented that at the March 15, 2016 JEA Board Meeting, Board Members approved the Ernst & Young (E&Y) contract extension with the proposed fee schedule expiring June 30, 2017. Ms. Nelson provided the Committee with an update on the external auditor procurement process and information on various CPA firms. Committee Members held discussions regarding external auditor terms and potential policies for the future. Based on feedback received from the Committee, staff will prepare the Request for Proposal (RFP), evaluation matrix, and timeline for the RFP and evaluation process. In addition, staff will provide additional research data on audit firm’s rotation

policies. These items will be brought back to the Committee at the August 8, 2016 meeting for additional consideration.

- C. Audit Services – Quarterly ERM/Audit Update – Steve Tuten, Director, Audit Services, provided the Committee with key FY2016 highlights, FY2016 Internal Audit Plan, Enterprise Risk Management (ERM) Trend Report, and the Ethics Hotline Report. This presentation was received for information.
- D. Chief Information Officer Report – Paul Cosgrave, Chief Information Officer (CIO), provided an overview of the eight departments that report to the CIO, services provided to JEA, cybersecurity protection, Critical Infrastructure Protection (CIP), and the North American Electric Reliability Corporation (NERC) Risk Assessment. This presentation was received for information.
- E. Identity Theft Protection Program Fair and Accurate Credit Transactions Act (FACTA) Annual Risk Assessment – Dan Mishra, Director, Critical Infrastructure Protection (CIP) Compliance, provided a presentation on JEA’s Identity Theft Protection Program. Mr. Mishra stated JEA’s program complies with Federal and State regulations imposed by the Fair Credit Reporting Act (FCRA), Fair and Accurate Credit Transactions Act (FACTA), and Florida Information Protections Act (FIPA). This presentation was received for information.
- F. Ethics Officer Quarterly Report – Walette Stanford, Ethics Officer and Director, Workforce Strategies, presented the Ethics Officer Quarterly Report, which was received for information.
- G. 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.
- H. 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.
- I. Announcements
 - 1. The next Finance and Audit Committee meeting will be held on August 8, 2016, at 8:00 AM.
- J. Committee Discussion Sessions
 - 1. Director, Audit Services – At 9:45 AM, the Committee held a general conversation with Steve Tuten, Director, Audit Services.
 - 2. Ernst & Young – At 9:50 AM, the Committee held a general conversation with Chris Edmunds, Senior Manager, Assurance Services.
 - 3. Council Auditor’s Office – At 9:51 AM, the Committee held a general conversation with Robert Campbell, Council Auditor’s Office.

Closing Considerations

With no further business claiming the attention of this Committee, the meeting was declared adjourned at 9:59 AM.

APPROVED BY:

Kelly Flanagan, Committee Chair

Date: _____

Submitted by:

Melissa Charleroy
Executive Assistant