**Taxation, Revenue, and Utilization**



**of Expenditures (TRUE) Commission**

**Niki Brunson – Chair**

**Audit Committee Meeting Minutes**

**April 5, 2018**

**3:00 p.m.**

**City Council Conference Room B**

**Suite 425, City Hall**

**Attendance:** Commissioners Daniel Henry (Chair), Niki Brunson, Ben Wasson, Jon McGowan, John Roberts (arr. 3:09)

**Also**: Tommy Carter – Council Auditor’s Office, Jeff Clements and Colleen Hampsey – Council Research Division

See attached sign-in sheet for additional attendees.

The meeting was called to order at 3:04 p.m.

The minutes of the March 1, 2018 meeting were **approved unanimously as distributed**.

Tommy Carter of the Council Auditor’s Office reported on 3 audits/reports issued since the last committee meeting.

**#807 Potential Sale of JEA – Things To Consider:** the report is not an audit or attestation done in compliance with governmental accounting standards and does not represent the opinion of experts in utility valuation, but is an update of prior work done by the Auditor’s Office on the JEA and a listing of numerous factors to consider in making a decision on the future of the JEA. The report arrived at potential net sale proceeds of $1.5 to $5.7 billion. The report discusses the various contributions the JEA makes to the City, financial, operational and otherwise, including participation in a countywide governmental radio system, providing water quality credits at no charge, employee volunteerism, etc. Commissioner Wasson posed several questions about the Auditor’s Office’s calculation methodologies for various factors. He specifically is curious about whether the amount collected by the JEA for the annual City contribution is accounted in and contributed from JEA’s operational revenues or is segregated and paid from a separate dedicated account. Council Member Roberts asked if anyone has done a calculation on the potential fiscal impact on ratepayers, not on the government. The group briefly discussed Council Member Gulliford’s recent analysis of various potential uses of the JEA sale revenues to pay down debt, eliminate unfunded pension liability, make capital improvements, etc.

Commissioners expressed several concerns about the sale of JEA. The group also discussed the reasons (if any) why any entity would want to buy JEA, whether it be profitable, especially if rates were frozen. Would there be employee pension payouts with layoffs? Could the Florida Public Service Commission impose employee protection conditions? Private utilities can’t be reimbursed by FEMA for damages sustained in natural disasters. FEMA has provided $13 million in reimbursements to JEA since 2004; would a private utility’s inability to qualify for FEMA reimbursements affect the rates they charge? What about JEA’s future capital projects, were those included in the valuation calculations?

**#808 Communications Tower Audit:** Tower lease fees generated by towers on public property are used for park maintenance and park improvements and are collected by Parks and Recreation Department. The 5 cell towers on city property have brought in $907,337 since their inception. Overall, the audit report found a lack of segregation of staff duties with regard to receiving payments and reconciling deposit records and not enough inspections to see where towers exist and how many companies have equipment co-located on those towers. The audit recommended: adoption of a tracking process to know how many towers are on city property; checking the leasing fee with OGC to see if it’s correct; and better logging of checks received and deposited and segregation of check receipt and bank reconciliation functions.

**#809 Hillwood Master Disposition and Development Agreement Audit:**

Mr. Carter briefly described the development agreement between the City and master developer Hillwood for marketing and development of the Cecil Commerce Center. The audit recommended that the City annually audit or perform a detailed review of Hillwood’s records to verify that amounts paid are correct, not just review Hillwood’s quarterly reports without deeper verification. Approximately $4.3 million in revenue has been received as a result of developments at Cecil Commerce Center, which does not include the Amazon transaction or the upcoming Project Volt (JinkoSolar) recently approved by City Council.

There being no further business, the meeting was adjourned at 4:01 pm.

Colleen Hampsey, City Council Research Division

Posted 4.6.18 12:00 p.m.