

**JEA
FINANCE & AUDIT COMMITTEE AGENDA**

DATE: December 1, 2016
TIME: 2:00 – 3:00 PM
PLACE: 21 W. Church Street
 8th Floor Conference Room

Committee Members will meet on the 8th Floor
 Other Board Members may join via conference call by dialing:
904-665-7100

	Responsible Person	Action (A) Info (I)	Total Time
I. OPENING CONSIDERATIONS	Kelly Flanagan		
A. Call to Order			
B. Adoption of Agenda		A	
C. Approval of Minutes – August 8, 2016	Melissa Charleroy	A	
D. Approval of Minutes – October 18, 2016	Melissa Charleroy	A	
II. NEW BUSINESS			
A. Quarterly Reports and Updates		I	5 mins.
1. Audit Services – Quarterly ERM/Audit Report			
2. Ethics Officer Quarterly Report			
3. Electric System and Water and Sewer System Reserve Fund Quarterly Report			
4. JEA Energy Market Risk Management Policy Report			
B. Action Items			
1. JEA Calendar Years 2017 and 2018 Fixed Rate Refunding Debt Parameter Resolutions for Electric, Water and Sewer and St. Johns River Power Park Systems	Joe Orfano	A	5 mins.
C. Ernst & Young FY2016 External Audit Report	John DiSanto	I	45 mins.
D. Announcements			
1. Next Meeting, March 2017, 8:00 – 10:00 AM (Date to be determined)			
E. Committee Discussion Sessions			5 mins.
1. Director, Audit Services	Steve Tuten	I	
2. Ernst & Young	John DiSanto	I	
3. Council Auditor’s Office	Robert Campbell	I	
F. Adjournment			

I. C.

Approval of Minutes – August 8, 2016

JEA FINANCE & AUDIT COMMITTEE MINUTES
August 8, 2016

The Finance & Audit Committee of JEA met on Monday, August 8, 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 – Committee Chair Flanagan called the meeting to order at 8:00 AM with Member Husein Cumber in attendance. Board Chair Tom Petway attended telephonically. Board Vice Chair Ed Burr was in attendance telephonically until arriving at 8:10 AM. Others in attendance were Paul McElroy, Melissa Dykes, Mike Brost, Brian Roche, Ted Hobson, Angie Hiers, Steve Tuten, Janice Nelson, Joe Orfano, Judi Spann, Steve McInall, Walette Stanford, Ryan Wannemacher, Jane Upton, Garry Baker, John McCarthy, Lee Montanez, and Frank DiBenedetto. Jody Brooks, Office of General Counsel, Mike Pattillo, Chris Edmunds, and John DiSanto, Ernst & Young, were also in attendance. Robert Campbell, Council Auditors Office, was not in attendance.

Due to a lack of quorum physically present, agenda items were received for information only and deferred until a quorum was physically present at 8:10 AM; however, the minutes reflect the original order of the agenda.

- B. Adoption of Agenda – The agenda was adopted on **motion** by Mr. Cumber and second by Mr. Burr.
- C. Approval of Minutes – The May 9, 2016 minutes were unanimously approved on **motion** by Mr. Burr and second by Mr. Cumber.

Agenda Item II – New Business

- A. Approval of Annual Internal Audit Plan – Steve Tuten, Director, Audit Services, introduced Lee Montanez, Manager, Audit Services. Mr. Montanez provided an overview of the FY2017 annual Internal Audit Plan, as required by the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (Standards). On **motion** by Mr. Cumber and second by Mr. Burr, the Committee unanimously recommends the Board approve the annual Internal Audit Plan for FY2017.

Mr. Burr entered the meeting at 8:10 AM.

- B. Adoption of Changes to the Finance & Audit Committee Operating Policy – On **motion** by Mr. Cumber and second by Mr. Burr, the Committee unanimously recommends that the Board adopt the revised Finance and Audit Committee Operating Policy to reflect the revision to add the word “investigations” on page two to clarify the specific information reported.
- C. Annual Approval of Audit Services Charter – Steve Tuten, Director, Audit Services, presented the Audit Services Charter as required by the Institute of Internal Auditors (IIA). Mr. Tuten stated the purpose of the Audit Services Charter has been revised to align with language found in subsequent paragraphs. On **motion** by Mr. Burr and second by Mr. Cumber, the Committee unanimously recommends the Board approve the revised Audit Services Charter.
- D. Audit Services – Quarterly ERM/Audit Update – Steve Tuten, Director, Audit Services, provided the Committee with key FY2016 Audit Services highlights, FY2016 Internal Audit Plan timeline, and the Ethics Hotline Report. Mr. Tuten introduced Frank DiBenedetto, Manager Enterprise Risk Management. Mr. DiBenedetto provided the Committee with the Enterprise Risk

Management (ERM) Trend Report and key FY2016 ERM highlights. This presentation was received for information.

Mike Pattillo, Ernst & Young, entered the meeting at 8:15 AM.

- E. Coordinated Dispatch Agreement and Pricing Policy Revisions – Ryan Wannemacher, Director, Financial Planning & Analysis, presented on March 25, 2016, JEA entered into a coordinated dispatch agreement with Gainesville Regional Utilities (GRU) with the intent to optimize asset utilization of both utilities, and to pass on the savings to customers. Mr. Wannemacher stated this agreement has produced \$78,631 in savings to JEA year-to-date, and expects this to produce approximately \$6.5 million in savings annually. Mr. Wannemacher introduced Garry Baker, Director, Electric Systems Operations, who was instrumental in the development and implementation of the agreement, as well as the day-to-day execution and settlement of funds. On **motion** by Mr. Burr and second by Mr. Cumber, the Finance and Audit Committee recommends the full Board approve the proposed revisions to the Pricing Policy, including an addition that states “Gains realized from coordinated dispatch agreements will be allocated to base revenue, unless otherwise directed by the Board”, as well as administrative edits.
- 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. External Auditors
 1. Schedule of Expenditures of Federal Awards – Mike Pattillo, Coordinating Partner, Ernst & Young, LLP (E&Y), introduced John DiSanto, Executive Director, and Chris Edmunds, Senior Manager. Mr. DiSanto reviewed the Schedule of Expenditures of Federal Awards, which was received for information. The audit found no control deficiencies and was submitted by the deadline.
 2. Ernst & Young FY2016 Annual Financial Audit Plan was reviewed by Mike Pattillo, John DiSanto, and Chris Edmunds, Ernst and Young. On **motion** by Mr. Burr and second by Mr. Cumber, the Committee recommends the full Board approve the FY2016 Annual Financial Audit Plan.
- 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, which was received for information.
 2. JEA Investment Policy Revisions – Joe Orfano, Treasurer, presented staff is recommending revisions to the Investment Policy which include a revision to the lists of Authorized Investments for the Electric System and the District Energy System to ensure the language in the Investment Policy is consistent with updates to the Florida Statutes. In addition, the Policy will include new language to formally state that the authority to approve, amend or revise the Policy rests with the JEA Board. Additionally, U.S. dollar-denominated commercial paper issued by the Canadian government or Canadian provinces would be included as eligible commercial paper investments. At the request of Mr. Cumber, staff will revise section 7.0 – Portfolio Composition to include a denomination qualifier for commercial paper investments issued by Fortune 500 companies with significant operations in the U.S. On **motion** by Mr. Cumber and second by Mr. Burr, the Finance and Audit Committee recommends the full Board approve the revised Investment Policy as amended.
- I. JEA Energy Market Risk Management Policy Report – Steve McInall, Director, Electric Production Resource Planning, reviewed the Energy Market Risk Management Policy Report,

which was received for information. Committee Chair Flanagan requested staff to revise the presentation material prior to the next Committee meeting.

- J. Update on Procurement for External Auditor – Janice Nelson, Controller, presented at its meeting on January 19, 2016, the Board approved a one-year extension of the contract with Ernst & Young (E&Y) for the period from July 1, 2016 through June 30, 2017. As part of the recommendation for approval of the contract extension, the Finance and Audit Committee stated that staff will evaluate and issue a Request for Proposal (RFP) for independent audit services the next fiscal year. At its meeting on May 17, 2016, the Board approved the recommendation of the Finance and Audit Committee for staff to prepare an RFP, evaluation matrix and timeline for its review and approval at the next scheduled committee meeting on August 8, 2016. Staff intends to use the Invitation to Negotiate solicitation process for the procurement. Committee Members held discussions regarding the continued process. On **motion** by Mr. Burr and second by Mr. Cumber, the Committee recommends the Board approve the Invitation to Negotiate document and timeline, revising the selection criteria calculation as follows: Quotation of Rates – 10%, Professional Staff Experience – 30%, Past Performance/Company Experience – 30%, and Design Approach and Workplan – 30%. The Committee additionally recommended to review and approve the Short List on or before November 1, 2016.

Due to business commitments, Mr. Burr left the meeting at 9:54 AM.

K. Announcements

1. A special Finance & Audit Committee Meeting will take place tentatively in September/October 2016.
2. The next Finance and Audit Committee meeting is tentatively scheduled in December 2016 at 8:00 AM.

L. Committee Discussion Sessions

1. Director, Audit Services – Committee Discussion Session was not conducted.
2. Ernst & Young – Committee Discussion Session was not conducted.
3. Council Auditor's Office – Mr. Campbell was not in attendance.

Closing Considerations

With no further business claiming the attention of this Committee, the meeting was declared adjourned at 9:57 AM.

APPROVED BY:

Kelly Flanagan, Committee Chair

Date: _____

Submitted by:

Melissa Charleroy
Executive Assistant

I. D.

Approval of Minutes – October 18, 2016

JEA FINANCE & AUDIT COMMITTEE MINUTES
October 18, 2016

The Finance & Audit Committee of JEA met on Tuesday, October 18, 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 – Committee Chair Flanagan called the meeting to order at 10:32 AM with Board Chair Tom Petway, Board Vice Chair Ed Burr, and Board Member Husein Cumber in attendance. Others in attendance were Paul McElroy, Melissa Dykes, Jody Brooks, Ryan Wannemacher, Janice Nelson, John McCarthy, Walette Stanford, and Steve Tuten. Sebastian Kitchen, Florida Times-Union was also in attendance.
- B. Adoption of Agenda – The agenda was adopted on **motion** by Board Vice Chair Burr and second by Board Chair Petway.

Agenda Item II – New Business

- A. External Audit Services Contract – John McCarthy, Director, Supply Chain Management, presented at the direction of the Finance & Audit Committee during the August 8, 2016 meeting, JEA staff issued a procurement solicitation for independent audit services. The new contract will begin after the expiration of JEA’s current audit services on June 30, 2017. Mr. McCarthy provided an overview of the solicitation process which included solicitation of proposals and independent scoring of the proposals by the evaluation team, which is made up of JEA staff. Mr. McCarthy stated the firms were scored as follows: Ernst & Young: 88.5, Baker Tilly: 86.1, Maudlin & Jenkins: 60.4. On **motion** by Board Chair Petway and second by Mr. Cumber, the Committee unanimously approved to remove Maudlin & Jenkins from the short list. Committee Chair Flanagan provided an opportunity to Janice Nelson, Ryan Wannemacher, Joe Orfano, and Ryan Wannemacher, members of the evaluation team, to provide comments. On **motion** by Board Chair Petway and second by Mr. Cumber, the Committee held discussions and unanimously recommends the Board approve to award a contract to Ernst & Young, based upon the Selection Committee’s evaluation. Board Vice Chair Burr encouraged staff to record lessons learned regarding generating more qualified responses to JEA’s request for proposals.
- B. Announcements
 - 1. The next Finance and Audit Committee meeting is scheduled on December 1, 2016 at 2:00 PM.

Closing Considerations

With no further business claiming the attention of this Committee, the meeting was declared adjourned at 11:06 AM.

APPROVED BY:

Kelly Flanagan, Committee Chair
Date: _____

Submitted by:

Melissa Charleroy
Executive Assistant

II. A. 1.

Audit Services – Quarterly ERM/Audit Report

Audit Services 4Q FY16 Report

Steve Tuten - Director, Audit Services

Audit Services 4Q FY16 Report – Table of Contents

<u>Topic</u>	<u>Page #s</u>
• Internal Audit	3-4
• Enterprise Risk Management (ERM)	5-12
• Ethics Investigations & Audit	13-18

- **FY16 Internal Audit Plan** - To recap, nine audit reports were issued and five audits were carried over to the FY17 Plan. The remaining five audits from the original FY16 Plan were either deferred or not rescheduled.
- **Open Position** - The selected candidate for our Internal Audit position accepted a counteroffer from his current employer, so we have reopened the recruitment, but at the Senior Auditor level. Position likely to be filled sometime in January.
- **FY17 Internal Audit Plan** - We are slightly behind schedule, due primarily to the open position and impact of Hurricane Matthew (*approximately two weeks lost from regular schedule*). The current timeline for the FY17 Internal Audit Plan is shown on p. 4.
- **Open Audit and Investigation Report Issues** - As of 9/30/16, there were 26 open issues requiring management's corrective action plans.

FY17 Internal Audit Plan – Schedule

Audit/Project	Auditor-in-Charge	Status	FY 2017 Hours			First Draft Report			Comments	2017 Audit Timeline				
			Budgeted Hours (per audit plan)	Actual Hours	Will Meet/Met Budget	Audit Estimate Due Date (italics if updated)	Actual Date	Will Meet/Met Due Date		Oct	Nov	Dec	Jan	Feb
2016 Distribution, Development & Joint Projects (400 hrs. total)	Troy England (TE)	Reporting	60	122		8/29/2016	TBD		Exceeded budget due to complexity of analyzing client project and related processes.					
2016 Facilities Management	David Arnold (DA)	Reporting	140	145		11/7/2016 (1)	TBD		Audit Estimate updated due to Call Center work during Hurricane Matthew. Exceeded budget due to issues related to ADA.					
2016 System Protection & Controls	Laurie Gaughan (LG)	First Draft Issued	128	121		11/8/2016 (1)	11/8/2016		Audit Estimate updated due to Call Center work during Hurricane Matthew					
Information Security (FY16-60hrs. / FY17 500 hrs.)	Rashid Brittain (RB)	Testing	500	124.5		2/21/2016 (1)	TBD		Audit Estimate updated due to Call Center work during Hurricane Matthew					
TEA Audit	LG	Testing	100	27		No Report	N/A		TEA audit - November 14-18; Laurie working with auditors from Nebraska Public Power and Santee Cooper.					
JEA and SJRPP FY2016 Performance Pay Audit	TE	Testing	200	20.5					Tentative due date if all information is received on time - November 21.					
Real Estate Services and Revenue Contracts	Chris Page (CP) / DA	Planning	350	9										
SJRPP Enviro Engineering and Preventive Maintenance	LG	Planning	350	4										
FY2017 Action Plan Follow-Up	All Staff	Ongoing	400	62										

Notes:

(1) Updated due to Hurricane Matthew call center duties.

	>10% variance in hours from estimate >10 workdays from estimate.
	Variance within 10% of hours or 10 workdays from estimate.
	No negative variance in hours or days.
	Not Applicable or no data.

	Completed Audit
	In-Progress Audit
	Scheduled Audit
	Pending Audit
	Administrative



Enterprise Risk Management (ERM) Highlights

- **Updated Total Risk Scores** - The following risks have been adjusted to reflect the certainty of required compliance and/or increase in the estimated cost:
 - **Effluent Guidelines** – Increased from a 4 impact/4 likelihood to a 4 impact/5 likelihood to reflect the change in certainty for compliance.
 - **Cooling Water Intake Structure [316(b)]** – Increased from a 2 impact/5 likelihood to a 4 impact/5 likelihood, driven by an increase in the estimated cost.
- **Sanitary Sewer Overflow (SSO)** - Total risk score increased from a 4 impact/ 2 likelihood to a 4 impact/ 3 likelihood due to the recent events that occurred during Hurricane Matthew, as well as more stringent standards expected from the Florida Department of Environmental Protection (FDEP).
- **CCR (Coal Combustion Residual)**
 - Decreased from a 3 impact/5 likelihood to a 1 impact/1 likelihood, since the cost of compliance is known and will be funded as part of the annual budget process.
 - However, a new CCR risk has been created to address litigation that third-party environmental groups might initiate to challenge the effectiveness of our compliance efforts. (See page 10, item E22).

ERM Highlights (cont.)

- **Business Unit Risk Assessments** – Continuation of risk assessment development to better align business processes with top corporate risk mitigations efforts, as well as identify/manage risks that may negatively impact business objectives.
 - Eleven risk assessments completed to date, with eight in progress.
- **Risk Management Training** – The latest iteration of ERM training is now required for all appointed employees and is expected to further enhance JEA’s overall risk management culture, including:
 - Understanding of JEA’s risk management infrastructure
 - Risk identification, assessment, and mitigation skills
 - Inter-departmental coordination of risk mitigation efforts
 - Since 9/29/16 rollout, 40 employees (about 20% of appointed staff) have attended the class.
- **Continuous Auditing/Continuous Monitoring (CACM)**
 - Continue to generate exception reports and coordinating with the Internal Audit and Ethics Investigations teams to address transactions that may reflect violations of company policies, processing errors, potential fraudulent activities, and/or control deficiencies.

ERM Committee Structure

- **Purpose** - JEA's ERM program identifies, assesses, measures, monitors and actively manages risk, including mitigation strategies and actions. Top corporate risks are reviewed monthly by the Enterprise Compliance & Risk Committee (ECRC) & quarterly with the Board.

- **ECRC & Subcommittees**

- Electric Risk
- FERC/NERC/CIP Electric Compliance
- Fuel and Purchased Power
- Debt and Investment
- Revenue and Expense Management
- Technology Projects
- Technology Risk
- Compliance Oversight
- Water and Wastewater Regulatory Compliance



ERM Corporate Risk Heat Map

Top Corporate Risks
Tier 1 (See p. 10) **Score** **10-25**
Tier 2 (See p. 11) **5-9**
Tier 3 (See p. 12) **1-4**

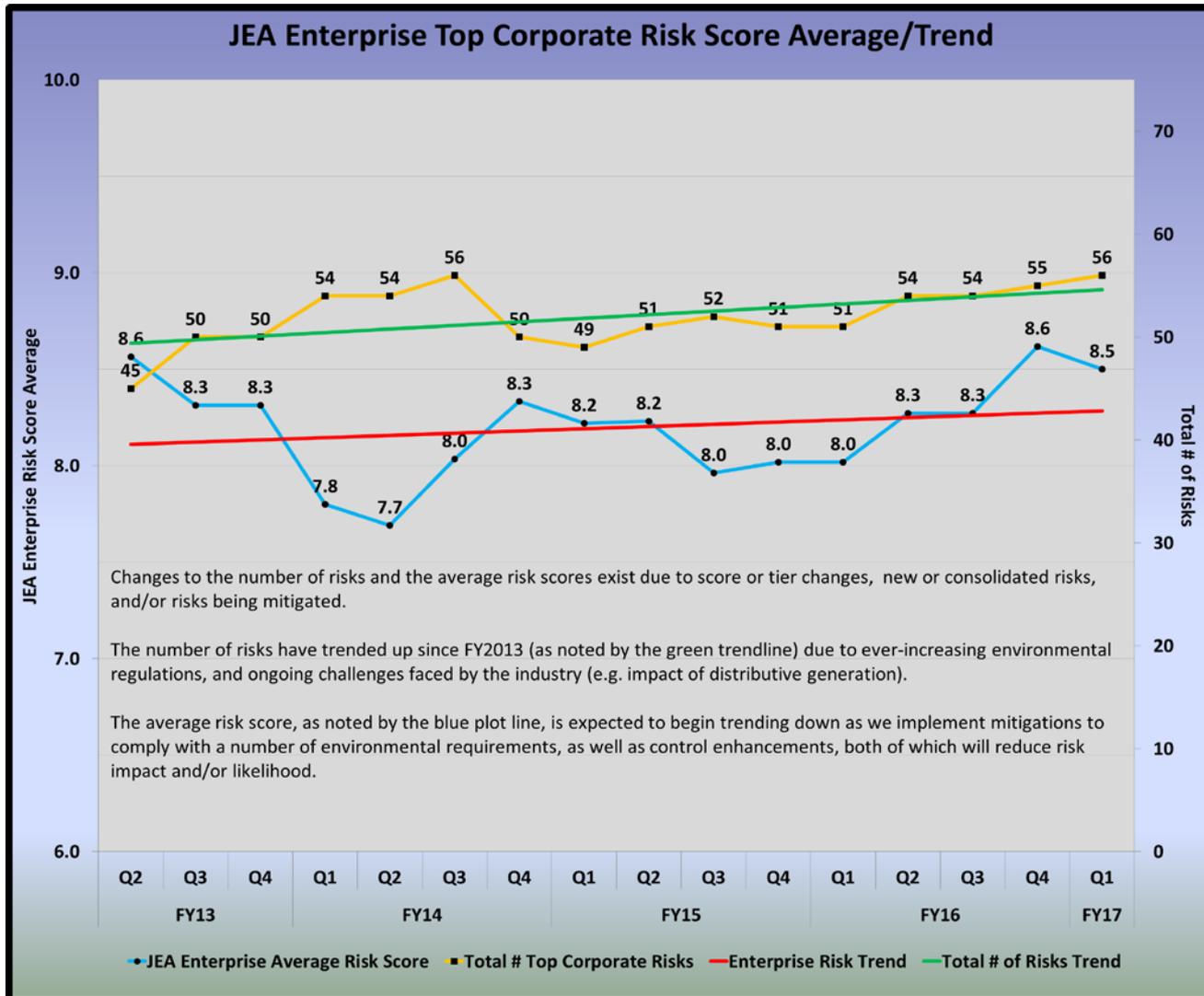
**Impact x
Likelihood
Score**

Likelihood	Almost Certain >90%	5	5	10	15	20	25	15-25	Red
	Likely 65-90%	4	4	8	12	16	20	10-12	Orange
	Possible 35-65%	3	3	6	9	12	15	8-9	Yellow
	Unlikely 5-35%	2	2	4	6	8	10	4-6	Light Green
	Rare <5%	1	1	2	3	4	5	1-3	Dark Green
			1	2	3	4	5		
			Minor	Moderate	Significant	Major	Severe		
Impact									



*The risk score is a factor of the risk impact x likelihood.

ERM – Top Corporate Risk Average Trends



ERM – Tier 1 Top Corporate Risk Trends

ERM - Tier 1 Risk Trends as of Current Quarter (Q1 FY17)

Risk <small>E= Electric, W= Water/Wastewater. F= Financial, H= Human Resources, T= Technology, C= Corporate -wide. Risks are in order by risk score within Business Function</small>	FY13			FY14				FY15				FY16				FY 17	Long Term Risk Exposure Trend (> 5 Years)	Change	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1			
Electric Risks																			
E1 - Carbon Emission Mitigation	20	20	20	20	20	25	25	25	25	25	25	25	25	25	25	25	↑ Increasing		
E2 - Effluent Limit Guidelines for Steam Units	12	12	16	16	16	16	16	16	16	16	16	16	16	16	20	20	↔ Stable	X	
E4 - Adverse Electric Commodity Supply and Pricing	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	↔ Stable		
E5 - Cooling Water Intake Structures 316(b)	12	10	10	10	10	10	10	10	10	10	10	10	10	10	20	20	↔ Stable	X	
E6 - Long-term Planning/Load Forecast - Electric	6	6	6	6	6	10	10	10	10	10	10	10	10	10	10	10	↑ Increasing		
E7 - Critical Infrastructure Protection (CIP) Compliance	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	↑ Increasing		
Water/Wastewater Risks																			
W1 - Water Supply Management/Long Term Planning	12	12	12	12	12	12	15	15	15	15	15	15	15	15	15	15	↑ Increasing		
Corporate Wide Risks																			
H1 - Pensions	16	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	↔ Stable		
F1 - Revenues and Expenses Management	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	↑ Increasing		
C16 - Weather & Climate Change Impact														15	15	15	15	↑ Increasing	
C1 - Customer Relationship Management	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	↔ Stable		
C2 - Physical Security (Facilities Infrastructure Security and Regulatory Compliance)	9	9	9	9	12	12	12	12	12	12	12	12	12	12	12	12	↑ Increasing		
C3 - New Technology					12	12	12	12	12	12	12	12	12	12	12	12	↑ Increasing		
W3 - Sanitary Sewer Overflow Management	6	6	6	6	6	6	6	6	8	8	8	8	8	8	8	12	↑ Increasing	X	

Note: E1 Carbon Emission Mitigation risk is under review based on post-election results.



ERM – Tier 2 Top Corporate Risk Trends

ERM - Tier 2 Risk Trends as of Current Quarter (Q1 FY17)

Risk <small>E= Electric, W= Water/Wastewater, F= Financial, H= Human Resources, T= Technology, C= Corporate -wide. Risks are in order by risk score within Business Function</small>	FY13			FY14				FY15				FY16				FY 17	Long Term Risk Exposure Trend (> 5 Years)	Change	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1			
	Electric Risks																		
E8 - SJRPP	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	↑ Increasing	
E9 - FERC/NERC (Section 693) O&P Reliability & Compliance	9	9	9	9	9	9	8	8	8	8	8	8	8	8	8	8	8	↔ Stable	
E10 - Nuclear Power Portfolio	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	↑ Increasing	
E21 - Natural Gas Sales - Commercial Customers										6	6	6	6	6	6	6	6	↔ Stable	
E11 - Infrastructure Maintenance - Electric Systems Assets	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
E20 - Operations Technology Management - Electric	4	4	4	4	4	4	4	4	6	6	6	6	6	6	6	6	6	↔ Stable	
E12 - By Product Management	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
E13 - Infrastructure Destruction Due to Severe Weather	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
Water/Wastewater Risks																			
W2 - Operations Technology Management - Water/Wastewater Systems	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	↔ Stable	
E22 - Coal Combustion Residual Rule (CCR) Litigation Risk																8		↔ Stable	X
W4 - Infrastructure Maintenance - Water/Waste Water Systems	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
Corporate Wide Risks																			
C5 - Records Management	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	↔ Stable	
C6 - Fraud Risk Management	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	↑ Increasing	
T2 - Cyber Security Information Protection			9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	↑ Increasing	
H2 - Staffing	16	16	12	12	9	9	9	9	9	9	9	9	9	9	9	9	9	↔ Stable	
H3 - Public and Employee Safety	6	6	6	6	6	9	9	9	9	9	9	9	9	9	9	9	9	↔ Stable	
T1 - Technology Infrastructure Reliability	12	12	12	12	12	12	12	12	4	4	4	4	8	8	8	8	8	↔ Stable	
T3 - Cyber Security Business Disruption									8	8	8	8	8	8	8	8	8	↑ Increasing	
T4 - Technology Services Disaster Recovery/Business Continuity									8	8	8	8	8	8	8	8	8	↔ Stable	
T5 - Technology Services Resource Optimization													9	9	9	9	9	↑ Increasing	
C7 - Disaster Recovery/Business Continuity	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	↔ Stable	
C8 - Black Swan (High Impact - Low probability event)	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	↔ Stable	
F3 - Credit Availability/Cost	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
C9 - Other Regulatory Compliance	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
F4 - Counterparty Risk	10	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	↔ Stable	
C4 - External Influence on Policy	9	9	9	9	10	10	10	10	10	10	10	10	10	10	8	8	8	↔ Stable	
W6 - Water Quality Management															8	8	8	↔ Stable	



ERM – Tier 3 Top Corporate Risk Trends

ERM - Tier 3 Risk Trends as of Current Quarter (Q1 FY17)

Risk <small>E= Electric, W= Water/Wastewater. F= Financial, H= Human Resources, T= Technology, C= Corporate -wide. Risks are in order by risk score within Business Function</small>	FY13			FY14				FY15				FY16				FY 17	Long Term Risk Exposure Trend (> 5 Years)	Change
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1		
Electric Risks																		
E3 - Coal Combustion Residual Rule (CCR)	15	15	15	15	15	15	15	15	15	10	10	10	10	10	15	1	↔ Stable	X
E15 - TEA Activities Risk Management	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	↔ Stable	
E16 - Air Emissions Reduction Regulatory Initiatives	20	20	20	20	20	4	4	4	4	4	4	4	4	4	4	4	↔ Stable	
E17 - Mercury and Air Toxics Standards (MATS)		15	15	15	15	15	4	4	4	4	4	4	4	4	4	4	↔ Stable	
E18 - Renewable Energy Standards	20	20	20	3	3	3	3	3	3	3	3	3	3	3	3	3	↔ Stable	
E19 - Plant Scherer Environmental Lawsuit			6	6	6	4	1	1	1	1	1	1	1	1	1	1	↓ Decreasing	
Water/Wastewater Risks																		
W5 - Numeric Nutrient Criteria Mandates	12	10	4	4	4	4	4	4	4	4	4	4	4	4	4	4	↔ Stable	
Corporate Wide Risks																		
C10 - Project Risk Assessment and Capital Allocation	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	↔ Stable	
C12 - Capacity Plan Land Acquisition	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	↔ Stable	
C13 - Key Customer Accounts Management	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	↔ Stable	
F2 - Financial Regulatory Compliances (e.g. Dodd-Frank Bill)	9	9	9	9	9	9	9	9	9	4	4	4	4	4	4	4	↔ Stable	
F5 - IRS Bond Audit Records Requirements	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	↔ Stable	
H4 - Benefits	6	6	6	6	6	6	6	6	6	4	4	4	4	4	4	4	↔ Stable	
C14 - Environmental Compliance Management	1	1	1	1	1	1	4	4	4	4	4	4	4	4	4	4	↔ Stable	

Ethics Investigations & Audit Highlights

- As of 9/30/16, 241 cases have been handled through the Ethics Hotline (EHL) since its inception in 2006.
- Letter of Understanding (LOU) with the City's Office of the Inspector General (OIG) has been signed, effective November 16, 2016, in compliance with the Ordinance Code requirements for reporting to the OIG any fraud, waste or abuse complaints we receive through the EHL and other sources.

Ethics Hotline (EHL) Case Statistics

Open Cases 7/1/2016	Cases Opened 4Q FY16	Cases Closed 4Q FY16	Open Cases 9/30/2016
14	8	13	9

Categories For Cases Opened During 4Q FY16

Fraud / Waste / Abuse	3
Discrimination / Harassment	2
Conflict of Interest / Ethics Matters	2
General Inquiries	1
Total	8

Summary of Closed EHL Cases - 4Q FY16

Reporting Source	Allegation	Investigation Results
External	JEA-15-10-0002 - An anonymous letter was received from “concerned employees” alleging corruption and cover-up by Management and certain employees. Five allegations were made in the anonymous letter: (1) An alliance exists, which is how they get what they want and take care of each other; (2) Cocaine was found at a JEA facility with no drug testing or investigation performed; (3) They questioned how an employee (who is related to a member of management in the same division) scored 101 on the coordinators test and everyone else failed; (4) Several employees were given coordinator jobs, which were taken away 3-4 days later and given to another applicant with a lower score; and (5) One employee committed suicide (hanging) because he became so depressed and felt like a failure when they took the job away from him.	Our investigation did not provide evidence to substantiate the claim (1) that an alliance exists amongst the individuals listed in the anonymous letter. Evidence of (2) cocaine use was found at a JEA facility; however, the items that tested positive for cocaine residue could not be linked to any particular employee and per the bargaining agreement, management did not have probable cause to drug test employees. There was not sufficient evidence to substantiate the (3) allegation that the coordinator exam was compromised. We were able to confirm (4) that a previous coordinator job was offered to an employee, and the offer was rescinded a short time later due to an exam grading error. There was not any evidence to show (5) the employee’s suicide a year later resulted from the job being taken away from him.
External	JEA-16-01-0004 - It was reported that approximately 2,500 pounds of copper was stripped from underground residential distribution wire which was placed in JEA’s scrap bins.	Our investigation determined employees were disposing of the wire insulation casings in the Investment Recovery scrap bins rather than by disposing of them in a trash dumpster. Also, the lengths of insulation casings were consistent with the employees making “jumpers” to use in their electrical installation applications.
External	JEA-16-03-0004 - JEA was notified that batteries were being sold to a recycling company by an individual who stated the batteries were obtained from a JEA employee.	We determined the individual selling the batteries was a contractor for a JEA battery vendor. Based on a review of the quotes/purchase orders between the battery vendor and JEA, the vendor was within its rights to dispose and/or sell the scrap batteries. We recommended to management and Procurement that battery scrap value be considered when negotiating future battery replacement contracts/purchase orders.

Summary of Closed EHL Cases - 4Q FY16 (cont.)

Reporting Source	Allegation	Investigation Results
EHL	JEA-16-04-0001 – It was alleged an employee may have stolen JEA time because this employee takes a full lunch and also routinely goes to the JEA gym for an hour. The caller indicated this person does not have any JEA business at this gym’s location, and this has been an on-going problem.	Evidence was found to conclude the employee regularly visited the gym location, did not always work the hours claimed on the timecard, claimed overtime at times when it was not warranted, and regularly used JEA’s vehicle for personal use. The individual retired before JEA was able to seek restitution or terminate the employee.
Internal	JEA-16-04-0003 – Sixteen boxes of JEA steel cups for the J.D. Power award celebration were reported missing from two JEA facilities.	We were not able to confirm evidence of the deliveries to the destinations in question or determine the disposition of the cups. However, we made recommendations for increased controls over the delivery of valuable fulfillment items.
Internal	JEA-16-04-0004 – An employee may have stolen JEA equipment and supplies and used them for a personal business.	<p>Evidence was found to conclude that JEA tools, an assigned JEA vehicle, and the employee’s JEA email account were occasionally used for the employee’s personal business. No evidence was found that JEA funds were used to purchase equipment for the personal business; however, we noted that the work the employee conducted on behalf of JEA and the personal business was similar enough to sometimes make it difficult to distinguish between the two. Also, the employee did not submit the required Secondary Employment Form for approval of the secondary employment.</p> <p>The investigation and subsequent fact finding resulted in the employee being issued a Letter of Counseling. Management recommendations were made to periodically communicate Secondary Employment requirements and to strengthen procedures for the management of their remotely deployed workforce.</p>
EHL	JEA-16-04-0006 – The caller reported an employee was using company equipment for the employee’s personal business and also using contacts from a group within JEA to push through projects for the personal business.	Evidence was found to conclude the employee had personal business information on a JEA computer and was using JEA email and a JEA-issued cell phone for the personal business. Files associated with the personal business were date/time stamped during business hours, indicating some computer use was during work hours. It was also determined the employee used a JEA vehicle for both personal and personal business use. We were unable to conclude contacts from a group within JEA were used to push through projects for the personal business. As a result of the investigation, the employee retired.

Summary of Closed EHL Cases - 4Q FY16 (cont.)

Reporting Source	Allegation	Investigation Results
External	JEA-16-05-0001 – An external email noted observance that JEA vehicles were used at two different schools for dropping off or picking up children.	According to JEA's GPS records, there were numerous JEA vehicles in the vicinity of the schools for the stated period. Given the complainant did not provide details such as days or vehicle numbers nor were there driving patterns that correlated with the start/stop times of the schools, we were unable to identify the JEA drivers alleged in the complaint. In an attempt to obtain additional details, we reached out to the complainant twice by email, but did not receive a response. Although we could not identify the drivers or vehicles, we notified management of the complaint for purposes of reemphasizing to employees that JEA Fleet Services Procedures prohibit the personal use of company vehicles.
EHL	JEA-16-06-0002 – The caller alleged that a probationary employee regularly abuses marijuana and codeine syrup, and the caller was not certain how long the situation had been ongoing or if the employee will use heavy machinery at work. The caller also alleged the employee had been involved in several car accidents and continued to operate a vehicle. The caller suggested that unannounced and random drug tests be conducted more often.	We determined the employee in question did not have a suspended or revoked driver's license. Also, there were no safety recordable incidents or any reports by management of suspicion of impairment while on the job. Based on the lack of evidence and the terms of the employee's collective bargaining agreement regarding drug testing, a drug screening test could not be performed. However, we shared the caller's concerns regarding more frequent drug testing with Labor Relations management.
External	JEA-16-06-0004 – An individual alleged that an employee was using JEA information to perform improper searches to locate the caller's address and phone number, along with the phone numbers of the caller's friends.	We determined the employee in question had access to look up customer information; however, due to system limitations, there is no record of inquiries, thus, we could not substantiate or refute the allegation. The matter was referred to Labor Relations for disposition.
EHL	JEA-16-06-0005 – The caller alleged a JEA manager showed favoritism by allowing an employee to report to work late and sit in the manager's office. It was also alleged the employee reports to work under the influence of drugs or alcohol, and the manager supports the employee by overlooking the employee's faults. The caller indicated the employee and manager are friends and drink together outside of work.	The caller subsequently asked that we disregard the information reported to the hotline and as a result, we did not continue our investigation. Labor Relations was aware of the related personnel issues and was working to resolve them.

Summary of Closed EHL Cases - 4Q FY16 (cont.)

Reporting Source	Allegation	Investigation Results
EHL	JEA-16-07-0003 – The caller reported an employee received special treatment because the employee has a relative who is a manager in the department. Recently, the employee was in an accident, hitting a stationary pole with a company truck. The employee was found "not at fault", and the caller heard the employee's relative was involved in the employee's "fact-finding" for the accident. The caller indicated that management is typically quick to try to fire employees who get in accidents, but this employee was given special treatment.	Evidence was found that for approximately three months, a nepotism procedure violation existed as the employee in question was reporting through the relative's chain-of-command. However, there was no evidence to support the allegation the employee received special treatment in regards to the accident. The evidence showed a post-incident substance collection and test were performed on the day of the accident, and there was an accident investigation that did not include the employee's relative. Also, the employee's management notified Labor Relations, Health and Safety and the Chief Customer Officer of the accident.
EHL	JEA-16-08-0001 – The caller reported another department manager sent an email to the caller's manager in which the email alleges the caller was intoxicated in the workplace. The caller denied being intoxicated in the workplace and indicated a similar situation occurred in 2007 with this same department manager making a false allegation against the caller.	Our investigation concluded the Manager in question had no basis for making the allegation of intoxication. The Manager received counseling for making the false allegation.

II. A. 2.

Ethics Officer Quarterly Report

JEA

Ethics Officer Report

December 1, 2016

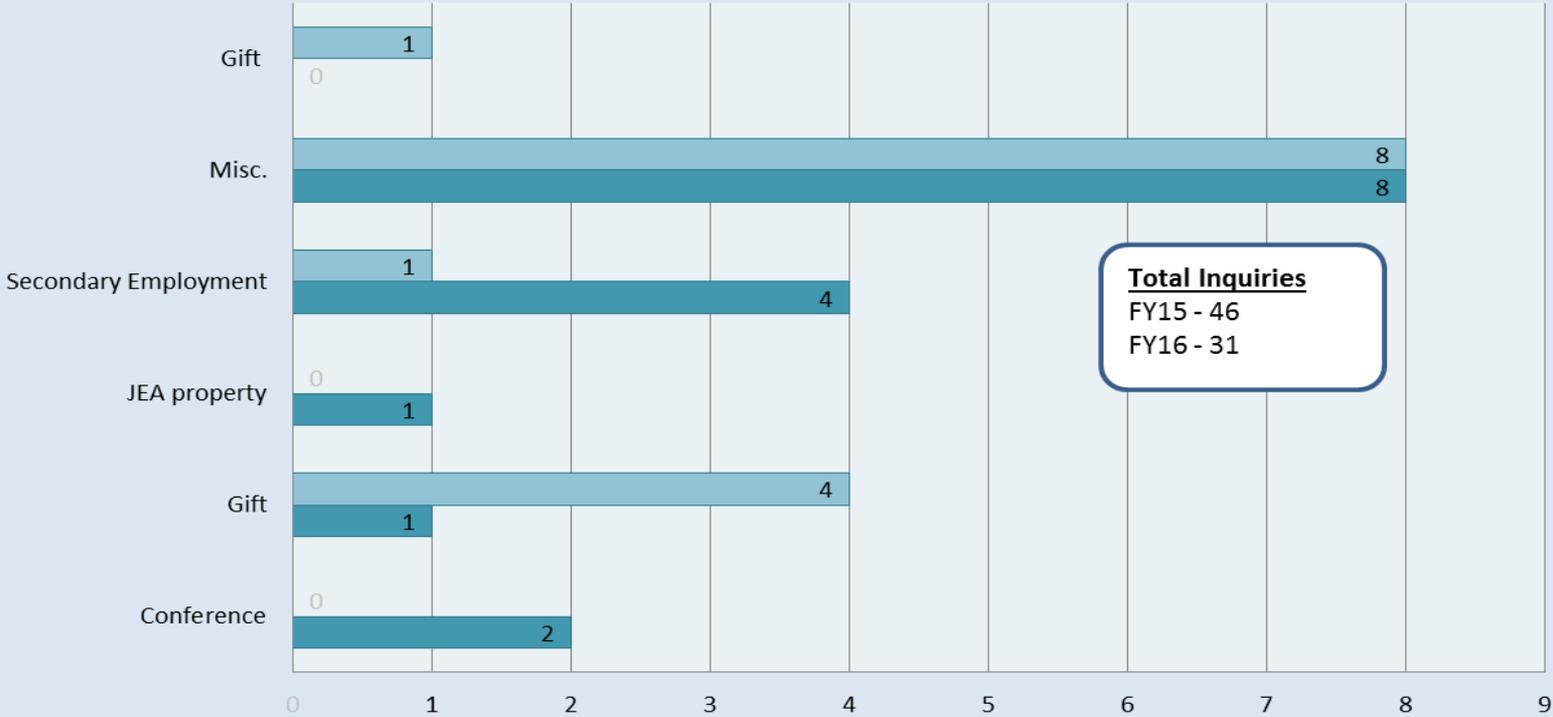
Creating an Ethical Culture

JEA will conduct its business fairly, impartially, in an ethical and proper manner, and in full compliance with all applicable laws and regulations



FY15/16 Comparison

Ethics Inquiries Comparison FY15/FY16 4th Quarter Results



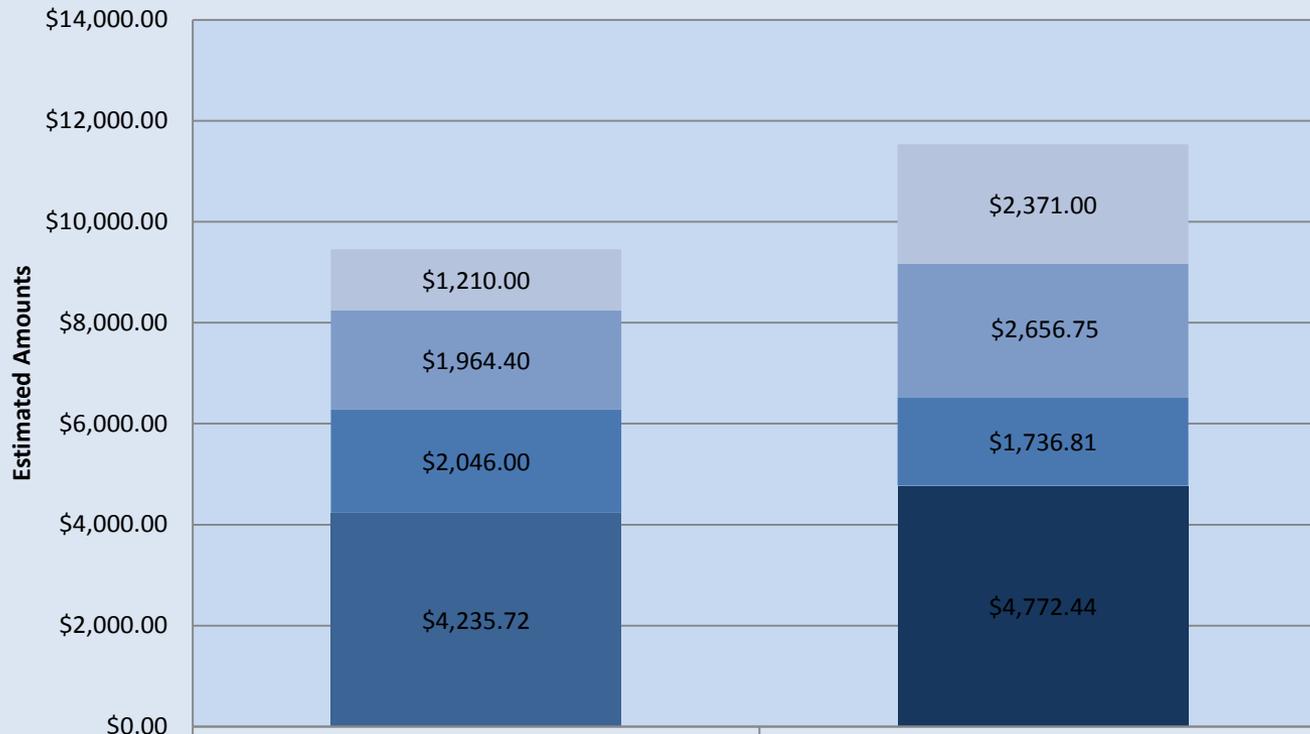
Total Inquiries
FY15 - 46
FY16 - 31

	Conference	Gift	JEA property	Secondary Employment	Misc.	Gift
FY16	0	4	0	1	8	1
FY15	2	1	1	4	8	0



FY16 Gift Registry

FY15/16 Gift Registry Estimates Comparison Per Quarter



Food Items: lunch or dinners during meetings or trainings, jar of mints, assorted candies and cookies

Promotional items: ball caps, t-shirts, pens

Misc. : golf, door prizes, televisions

Registration fees

	FY15	FY16
Q4	\$1,210.00	\$2,371.00
Q3	\$1,964.40	\$2,656.75
Q2	\$2,046.00	\$1,736.81
Q1	\$4,235.72	\$4,772.44

Business Ethics Update and What's Next

- Automating the Nepotism form for employees on Sharepoint.
- Preparing for the FY17 Nepotism audit.
- Continue to partner with Audit Services to address Ethics Hotline cases that require policy and procedure changes.
- Ethics training will be administered in March 2017 with the goal of again having 100% compliance for all current employees with new employees completing within first 10 days of employment.

II. A. 3.

Electric System and Water and Sewer System Reserve Fund Quarterly Report

Nov 15, 2016

SUBJECT:	ELECTRIC SYSTEM AND WATER AND SEWER SYSTEM RESERVE FUND QUARTERLY REPORT
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Purpose:	<input checked="" type="checkbox"/> Information Only	<input type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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Issue: Electric System and Water and Sewer System Reserve Fund Quarterly Report as of September 30, 2016. This report is provided for transparency into JEA's reserve fund accounts and various cash balances. Projected balances incorporate the Capital Strategy Plan approved at the November 15, 2016 Board of Directors meeting.

Significance: High. JEA's liquidity position is an important balance between operating security and flexibility, financial metrics, and carrying cost of cash.

Effect: JEA operational needs, bond resolution requirements, and credit ratings.

Cost or Benefit: JEA's reserves are an important component of operating security and flexibility, a critical credit ratings factor.

Recommended Board action: No action required; provided for information only.

For additional information, contact: Joe Orfano, Treasurer, 665-4541

Submitted by: PEM/MHD/JEO/BHG

MISSION  Energizing our community through high-value energy and water solutions.	VISION  JEA is a premier service provider, valued asset and vital partner in advancing our community.	VALUES  <ul style="list-style-type: none">• Safety• Service• Growth²• Accountability• Integrity
--	---	---

Commitments to Action

- 1 Earn Customer Loyalty**
- 2 Deliver Business Excellence**
- 3 Develop an Unbeatable Team**



INTER-OFFICE MEMORANDUM

November 15, 2016

SUBJECT: **ELECTRIC SYSTEM AND WATER AND SEWER SYSTEM RESERVE
FUND QUARTERLY REPORT**

FROM: Paul E. McElroy, Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair
Tom Petway
Ed Burr
Husein Cumber

BACKGROUND:

At the May 7, 2012 Finance and Audit Committee meeting, JEA staff presented schedules reflecting historical and projected activity in JEA's Electric System and Water and Sewer System unrestricted and restricted fund balances. Many of these reserves are required under the respective System's bond resolutions or under Board approved policies such as Pricing Policy or Debt Management Policy. JEA staff also stated that these schedules would be provided to the JEA Board on a quarterly basis beginning in August 2012.

DISCUSSION:

Attached are the reserve fund schedules referenced above for the period ending September 30, 2016.

RECOMMENDATION:

No action required; provided for information only.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/JEO/BHG

Electric System and Water & Sewer System Reserve and Fund Balances (1)

For the Fiscal Quarter Ending September 30, 2016
(In Thousands of Dollars)

	<u>Fiscal Year</u> <u>FY 2013</u>	<u>Fiscal Year</u> <u>FY 2014</u>	<u>Fiscal Year</u> <u>FY 2015</u>	<u>Fiscal Year</u> <u>FY 2016</u>	<u>Fiscal Year</u> <u>FY 2017</u>	<u>Detail</u> <u>Page #</u>
Electric System						
Unrestricted						
Operations/Revenue Fund	\$ 46,588	\$ 43,178	\$ 46,624	\$ 56,665	\$ 41,717	
Debt Management Strategy Reserve	-	-	-	-	-	3
Self Insurance Reserve Fund						
• Property	10,000	10,000	10,000	10,000	10,000	4
• Employee health insurance	15,914	10,749	10,937	11,179	11,179	5
Rate Stabilization						
• Fuel	108,289	105,457	150,742	180,115	134,828	6
• DSM/conservation	3,891	3,570	2,886	3,515	3,119	7
• Environmental	10,023	16,639	23,430	29,975	36,075	8
• Debt Management	42,126	42,126	42,126	42,126	29,884	9
• Non-Fuel Purchased Power	-	12,000	38,000	34,400	25,168	10
Environmental	18,662	18,662	18,662	18,556	18,556	11
Customer Deposits	44,882	42,688	42,389	41,084	41,084	12
Total Unrestricted	300,375	305,069	385,796	427,615	351,610	
Unrestricted Days of Cash on Hand	129	123	182	213	163	
Restricted						
Debt Service Funds (Sinking Funds)	101,305	120,458	134,927	136,232	167,573	13
Debt Service Reserve Funds	64,841	64,841	64,595	60,582	60,582	14
Renewal and Replacement Funds/OCO (2)	140,486	146,910	145,711	192,179	166,201	15
Construction Funds	5,184	42	-	-	-	16
Total Restricted	311,816	332,251	345,233	388,993	394,356	
Total Electric System	\$ 612,191	\$ 637,320	\$ 731,029	\$ 816,608	\$ 745,966	
Water and Sewer System						
Unrestricted						
Operations/Revenue Fund	\$ 5,886	\$ 9,227	\$ 22,588	\$ 42,948	\$ 37,881	
Debt Management Strategy Reserve	304	304	-	-	-	17
Rate Stabilization						
• Debt Management	20,290	20,291	20,290	20,290	14,209	18
• Environmental				1,699	-	19
Customer Deposit	13,860	12,787	13,255	13,910	13,910	20
Total Unrestricted	40,340	42,609	56,133	78,847	66,000	
Unrestricted Days of Cash on Hand	110	118	149	186	155	
Restricted						
Debt Service Funds (Sinking Funds)	80,317	75,019	67,720	65,410	82,277	21
Debt Service Reserve Funds	119,915	116,829	108,849	108,086	108,086	22
Renewal and Replacement Funds						
• R&R/OCO (3)	78,689	59,295	37,337	76,020	61,457	23
• Capacity Fees/State Revolving Loans	60,360	76,887	90,912	103,411	68,222	24
• Environmental	(9,857)	5,299	19,245	2,659	2,659	25
Construction Funds	2,305	326	664	152	-	26
Total Restricted	331,729	333,655	324,727	355,738	322,701	
Total Water & Sewer System	\$ 372,069	\$ 376,264	\$ 380,860	\$ 434,585	\$ 388,701	

(1) This report does not include Scherer, SJRPP, DES or funds held on behalf of the City of Jacksonville.

(2) Balance includes \$47,000 of Electric System Renewal and Replacement Reserve for MADS calculation.

(3) Balance includes \$20,000 of Water & Sewer System Renewal and Replacement Reserve for MADS calculation.

Funds Established Per the Bond Resolutions

Fund/Account Description	Electric System	Water and Sewer System
Revenue Fund	Net Revenues (i.e. Revenues minus Cost of Operation and Maintenance), pledged to bondholders, balance available for any lawful purpose after other required payments under the bond resolution have been made.	Pledged to bondholders; balance available for any lawful purpose after other required payments under the bond resolution have been made, however, revenues representing impact fees may only be used to finance costs of expanding the system or on the debt service on bonds issued for such expansion purposes.
Rate Stabilization Fund	Not pledged to bondholders; available for any lawful purpose.	Pledged to bondholders; able to transfer to any other fund or account established under the resolution or use to redeem Bonds.
Subordinated Rate Stabilization Fund	Pledged to bondholders; available for any lawful purpose.	Pledged to bondholders; available for any lawful purpose.
Debt Service Account	Pledged to bondholders; used to pay debt service on bonds.	Pledged to bondholders; used to pay debt service on bonds.
Debt Service Reserve Account	Pledged to bondholders; used to pay debt service on bonds in the event revenues were insufficient to make such payments.	Pledged to bondholders; used to pay debt service on bonds in the event revenues were insufficient to make such payments.
Renewal and Replacement Fund	Not pledged to bondholders but required amounts deposited into this Fund pursuant to the bond resolution are limited as to what they can be spent on (e.g. capital expenditures and, bond redemptions) .	Pledged to bondholders; but required amounts deposited into this Fund pursuant to the bond resolution are limited as to what they can be spent on (e.g. capital expenditures and, bond redemptions).
Construction Fund	Pledged to bondholders; applied to the payment of costs of the system.	Pledged to bondholders; applied to the payment of costs of the system.
Subordinated Construction Fund	Pledged to bondholders; applied to the payment of costs of the system	Pledged to bondholders; applied to the payment of costs of the system
Construction Fund - Construction Reserve Account	Pledged to bondholders; applied to fund downgraded reserve fund sureties.	Pledged to bondholders; applied to fund downgraded debt service reserve fund sureties.
General Reserve Fund	Not pledged to bondholders; available for any lawful purpose.	n/a

Regardless of whether the Funds/Accounts are designated as pledged, in the event that monies in the Debt Service Account are insufficient to pay debt service on the bonds, pursuant to the respective bond resolutions, amounts in the various Funds/Accounts are required to be transferred to the respective Debt Service Accounts and used to pay debt service.

Electric System Debt Management Reserve

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Debt Management Policy

Metric: One-half percent of the par amount of outstanding variable debt (adjusted for variable to fixed rate long term swaps). Capped at 3% of the par amount of outstanding variable debt

Definitions and Goals: For the period FY 04 through FY 09, an annual budgeted reserve contribution for variable rate debt was made. The calculation was based upon one half percent of the par amount of outstanding variable rate debt (adjusted for variable rate to fixed rate long term swaps). The budget reserve was capped at three percent of the par amount of the outstanding variable rate debt. The reserve can be used for any lawful purpose including debt service, debt repayment, and capital outlay and must be approved in writing by the CEO.

	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
<i>(In Thousands)</i>								
Opening Balance	\$ -	\$ -	\$ -	N/A	\$ -	\$ -	\$ -	\$ -
Additions:								
Contributions				N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals			-	N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ -	\$ -	\$ -	N/A	\$ -	\$ -	\$ -	\$ -

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 12,257	\$ 12,257	\$ 12,257	\$ -	\$ -	\$ -	\$ 12,257	\$ 7,354	\$ 12,257
Additions:									
Contributions	-	-	-	-	-	-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Withdrawals	-	-	12,257	-	-	-	-	4,086	12,257
Sub-total	\$ -	\$ -	\$ 12,257	\$ -	\$ -	-	-	-	-
Ending balance	\$ 12,257	\$ 12,257	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,903	\$ 12,257

Observations:

- This reserve fund discontinued contributions in FY 2009 due to adoption of new policy. Reserve activity reflected in RSF - Debt Management for that year.
- A portion of this reserve was used to pay on interest rate swap terminations in connection with a refunding of variable rate debt in February 2013, and the remainder was used in Sept 2013 for a defeasance.

Electric System Self Insurance - Property

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Budget Appropriation

Metric: Budgeted Deposit = \$10 million

Definitions and Goals: JEA's self-insurance fund is for catastrophic damage to JEA's electric lines (transmission and distribution) caused by the perils of hurricanes, tornadoes, and ice storms. This fund was established in October, 1992, as an alternative to JEA's procurement of commercial property insurance.

	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
<i>(In Thousands)</i>								
Opening Balance	\$ 10,000	\$ 10,000	\$ 10,000	N/A	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Additions:								
Reserve Contribution				N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deductions:								
Reserve Withdrawal				N/A				
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ 10,000	\$ 10,000	\$ 10,000	N/A	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 3,500	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 3,500	\$ 10,000	\$ 8,700	\$ 10,000
Additions:									
Reserve Contribution	6,500					6,500	6,500	6,500	6,500
Sub-total	\$ 6,500	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Reserve Withdrawal						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Ending balance	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000

Electric System Self Insurance - Employee Health Insurance

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Florida Statute for self insured government plans

Metric: An actuary calculates amount annually

Definitions and Goals: This reserve fund is a requirement under Florida Statute 112.08 that requires self insured government plans to have enough money in a reserve fund to cover the Incurred But Not Reimbursed (IBNR) claims and a 60 day surplus of claims. The IBNR claims are claims that would still need to be paid if the company went back to a fully insured plan or dropped coverage all together. An actuary calculates this amount annually.

<i>(In Thousands)</i>	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	<u>2017</u>	<u>2018</u>	<u>2019</u>
Opening Balance	\$ 12,076	\$ 10,937	\$ 10,937	N/A	\$ 10,749	\$ 11,179	\$ 11,179	\$ 11,179
Additions:								
Employee Contributions	1,376	5,460	5,460	N/A	5,447	6,097	6,585	7,112
Retiree & Other Contributions	1,466	5,694	5,694		5,141	7,750	8,370	9,040
Employer Contributions	4,935	24,231	24,231		22,220	22,824	24,650	26,622
Sub-total	\$ 7,777	\$ 35,385	\$ 35,385	\$ -	\$ 32,808	\$ 36,671	\$ 39,605	\$ 42,773
Deductions:								
Payments for Claims	8,127	32,946	32,946	N/A	30,408	34,298	37,042	40,005
Actuary & Other Payments	547	2,197	2,197		2,212	2,373	2,563	2,768
Sub-total	\$ 8,674	\$ 35,143	\$ 35,143	\$ -	\$ 32,620	\$ 36,671	\$ 39,605	\$ 42,773
Ending Balance	\$ 11,179	\$ 11,179	\$ 11,179	N/A	\$ 10,937	\$ 11,179	\$ 11,179	\$ 11,179

<i>(In Thousands)</i>	Historical					Statistical			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	Low	Median	Mean	High
Opening Balance	\$ 8,227	\$ 12,505	\$ 15,440	\$ 15,914	\$ 10,749	\$ 8,227	\$ 12,505	\$ 12,567	\$ 15,914
Additions:									
Employee Contributions	5,926	6,147	5,893	4,573	5,447	4,573	5,893	5,597	6,147
Retiree & Other Contributions	4,725	6,910	5,701	5,188	5,141	4,725	5,188	5,533	6,910
Employer Contributions	20,484	21,155	20,629	14,252	22,220	14,252	20,629	19,748	22,220
Sub-total	\$ 31,135	\$ 34,212	\$ 32,223	\$ 24,013	\$ 32,808				
Deductions:									
Payments for Claims	24,699	29,220	29,354	27,157	30,408	24,699	29,220	28,168	30,408
Actuary & Other Payments	2,158	2,057	2,395	2,021	2,212	2,021	2,158	2,169	2,395
Sub-total	\$ 26,857	\$ 31,277	\$ 31,749	\$ 29,178	\$ 32,620				
Ending balance	\$ 12,505	\$ 15,440	\$ 15,914	\$ 10,749	\$ 10,937	\$ 10,749	\$ 12,505	\$ 13,109	\$ 15,914

Observations:

- Self Insurance for Employee Health Insurance began in July 2009.
 - Projections are using the 8% rate of increase based on information obtained from the Actuarial Memorandum and Report.
- Calendar year data is presented above in fiscal year format.

Electric System Rate Stabilization - Fuel Management

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: Targeted 15% of total annual projected energy costs

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which contributions or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Fund provides a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Established pursuant to the section VII and Section IX of the Pricing Policy, the Fuel Reserve target is 15% of the greater of (a) the maximum 12-month historical fuel cost or (b) the projected 12-month fuel cost. Withdrawals from the Rate Stabilization Fund for fuel stabilization are limited to the following purposes: (a) to reduce the variable fuel rate charge to the customers for a determined period of time; (b) to reduce the excess of the actual fuel and purchased power expense for the fiscal year over the variable fuel rate revenues; (c) to be rebated back to the customers as a credit against the electric bill; and/or (d) to reimburse the costs associated with any energy risk management activities.

	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
<i>(In Thousands)</i>								
Opening Balance	\$ 168,826	\$ 150,742	\$ 150,742	N/A	\$ 105,457	\$ 180,115	\$ 134,828	\$ 101,117
Additions:								
Contributions	11,289	85,979	85,979	25,255	95,224			
Sub-total	\$ 11,289	\$ 85,979	\$ 85,979	\$ 25,255	\$ 95,224	\$ -	\$ -	\$ -
Withdrawals								
Customer Fuel Rebate Credit		56,606	56,606	-	49,939	45,287	33,711	32,972
Sub-total	\$ -	\$ 56,606	\$ 56,606	\$ -	\$ 49,939	\$ 45,287	\$ 33,711	\$ 32,972
Ending Balance	\$ 180,115	\$ 180,115	\$ 180,115	N/A	\$ 150,742	\$ 134,828	\$ 101,117	\$ 68,145

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 55,935	\$ 24,990	\$ 92,362	\$ 108,289	\$ 105,457	\$ 24,990	\$ 92,362	\$ 77,407	\$ 108,289
Additions:									
Contributions	53,465	76,763	52,523	22,496	95,224	22,496	53,465	60,094	95,224
Sub-total	\$ 53,465	\$ 76,763	\$ 52,523	\$ 22,496	\$ 95,224	-	-	-	-
Deductions:									
Withdrawals	84,410	9,391				9,391	46,901	46,901	84,410
Customer Fuel Rebate Credit			36,596	25,328	49,939	25,328	36,596	37,288	49,939
Sub-total	\$ 84,410	\$ 9,391	\$ 36,596	\$ 25,328	\$ 49,939	-	-	-	-
Ending balance	\$ 24,990	\$ 92,362	\$ 108,289	\$ 105,457	\$ 150,742	\$ 24,990	\$ 105,457	\$ 96,368	\$ 150,742

Observations:

- Actual and historical numbers reflect fuel recovery contributions and withdrawals on a gross basis. Forecast and projected numbers reflected on a net basis. The fuel recovery charge ended 12/31/11.

Electric System Rate Stabilization - Demand Side Management (DSM)

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: \$0.50 per 1,000 kWh plus \$0.01 per kWh residential conservation charge for consumption greater than 2,750 KWh monthly

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which contributions or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Fund provides a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Pursuant to section VII of the Pricing Policy, \$0.50 per 1,000 kWh plus \$0.01 per kWh residential conservation charge for consumption greater than 2,750 kWh monthly. These revenue sources are to fund demand side management and conservation programs.

	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
<i>(In Thousands)</i>								
Opening Balance	\$ 3,075	\$ 2,886	\$ 2,886	N/A	\$ 3,570	\$ 3,515	\$ 3,119	\$ 3,119
Additions:								
Contributions	2,461	7,232	7,232	6,942	7,059	6,679	6,679	6,679
Other								
Sub-total	\$ 2,461	\$ 7,232	\$ 7,232	\$ 6,942	\$ 7,059	\$ 6,679	\$ 6,679	\$ 6,679
Withdrawals	2,021	6,603	6,603	7,674	7,743	7,075	6,679	6,679
Sub-total	\$ 2,021	\$ 6,603	\$ 6,603	\$ 7,674	\$ 7,743	\$ 7,075	\$ 6,679	\$ 6,679
Ending Balance	\$ 3,515	\$ 3,515	\$ 3,515	N/A	\$ 2,886	\$ 3,119	\$ 3,119	\$ 3,119

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 10,813	\$ 10,703	\$ 6,912	\$ 3,891	\$ 3,570	\$ 3,570	\$ 6,912	\$ 7,178	\$ 10,813
Additions:									
Contributions	7,978	6,657	6,683	6,929	7,059	6,657	6,929	7,061	7,978
Transfer from Rev Fd						-	-	-	-
Sub-total	\$ 7,978	\$ 6,657	\$ 6,683	\$ 6,929	\$ 7,059				
Deductions:									
Withdrawals	8,088	10,448	9,704	7,250	7,743	7,250	8,088	8,647	10,448
Sub-total	\$ 8,088	\$ 10,448	\$ 9,704	\$ 7,250	\$ 7,743				
Ending balance	\$ 10,703	\$ 6,912	\$ 3,891	\$ 3,570	\$ 2,886	\$ 2,886	\$ 3,891	\$ 5,592	\$ 10,703

Observations:

- Rate Stabilization Fund for Demand Side Management began in April 2009.

Electric System Rate Stabilization - Environmental

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: \$0.62 per 1,000 kWh

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which contributions or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Fund provides a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits to this fund began in fiscal year 2010 for amounts representing the Electric System Environmental Charge (\$0.62 per 1000 kWh). Withdrawals from this reserve will represent payments for regulatory initiatives such as the premium cost of renewable energy generation which is considered available for JEA's capacity plans.

	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
<i>(In Thousands)</i>								
Opening Balance	\$ 28,387	\$ 23,430	\$ 23,430	N/A	\$ 16,639	\$ 29,975	\$ 36,075	\$ 40,955
Additions:								
Contributions	2,271	7,700	7,700	7,320	7,586	7,320	7,320	7,320
Sub-total	\$ 2,271	\$ 7,700	\$ 7,700	\$ 7,320	\$ 7,586	\$ 7,320	\$ 7,320	\$ 7,320
Withdrawals	683	1,155	1,155	2,442	795	1,220	2,440	3,660
Sub-total	\$ 683	\$ 1,155	\$ 1,155	\$ 2,442	\$ 795	\$ 1,220	\$ 2,440	\$ 3,660
Ending Balance	\$ 29,975	\$ 29,975	\$ 29,975	N/A	\$ 23,430	\$ 36,075	\$ 40,955	\$ 44,615

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 2,467	\$ 4,232	\$ 5,343	\$ 10,023	\$ 16,639	\$ 2,467	\$ 5,343	\$ 7,741	\$ 16,639
Additions:									
Contributions	6,583	2,436	5,650	7,395	7,586	2,436	6,583	5,930	7,586
Sub-total	\$ 6,583	\$ 2,436	\$ 5,650	\$ 7,395	\$ 7,586	-	-	-	-
Deductions:									
Withdrawals	4,818	1,325	970	779	795	779	970	1,737	4,818
Sub-total	\$ 4,818	\$ 1,325	\$ 970	\$ 779	\$ 795	-	-	-	-
Ending balance	\$ 4,232	\$ 5,343	\$ 10,023	\$ 16,639	\$ 23,430	\$ 4,232	\$ 10,023	\$ 11,933	\$ 23,430

Observations:

- Rate Stabilization Fund for Environmental began in June 2010.

Electric System Rate Stabilization - Debt Management

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: Difference in actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on unhedged variable rate debt

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which deposits or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Funds provide a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits are made to this Rate Stabilization Fund for the purpose of managing JEA's debt portfolio. Deposits to this reserve reflect the difference in the actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on the unhedged variable rate debt. Additionally, deposits can be made from excess debt service budget over the actual debt service expense for any fiscal year. However, the total amounts deposited (in addition to actual debt service costs for the fiscal year) cannot exceed the total amount of the budgeted debt service for any fiscal year. At a minimum, 50% of the calculated reserve contribution, if any, will be recorded and deposited each fiscal year. Debt and Investment Committee will review and record at their option an additional contribution amount, up to the full value of the calculated reserve contribution (the remaining 50%). The reserve contributions will be calculated on a system by system basis; however, based on the calculation, any mandatory deposit will exclude the District Energy System. The reserve contributions shall cease in the event the reserve balance exceeds the cap of five percent of the par amount of the total outstanding variable rate debt of all systems. Withdrawals from the Rate Stabilization Fund for Debt Management Strategy can be made for expenses related to market disruption in the capital markets, disruption in availability of credit or unanticipated credit expenses, or to fund variable interest costs in excess of budget.

	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
<i>(In Thousands)</i>								
Opening Balance	\$ 42,126	\$ 42,126	\$ 42,126	N/A	\$ 42,126	\$ 42,126	\$ 29,884	\$ 29,884
Additions:								
Contributions				N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals						12,242		
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,242	\$ -	\$ -
Ending Balance	\$ 42,126	\$ 42,126	\$ 42,126	N/A	\$ 42,126	\$ 29,884	\$ 29,884	\$ 29,884

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 19,213	\$ 35,930	\$ 41,611	\$ 42,126	\$ 42,126	\$ 19,213	\$ 41,611	\$ 36,201	\$ 42,126
Additions:									
Contributions	16,717	5,681	6,581			5,681	6,581	9,660	16,717
Sub-total	\$ 16,717	\$ 5,681	\$ 6,581	\$ -	\$ -	-	-	-	-
Deductions:									
Withdrawals	-	-	6,066			-	-	2,022	6,066
Sub-total	\$ -	\$ -	\$ 6,066	\$ -	\$ -	-	-	-	-
Ending balance	\$ 35,930	\$ 41,611	\$ 42,126	\$ 42,126	\$ 42,126	\$ 35,930	\$ 42,126	\$ 40,784	\$ 42,126

Observations:

- Rate Stabilization Fund for Debt Management began in May 2009.

Electric System Rate Stabilization - Non-Fuel Purchased Power

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: Difference in actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on unhedged variable rate debt

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which deposits or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Funds provide a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits to the Rate Stabilization Fund for Non-Fuel Purchased Power Stabilization during the fiscal year are made with the approval of the CEO or CFO, provided such deposits are not in excess of JEA's total operating budget for the current fiscal year. Withdrawals from the Rate Stabilization Fund for Non-Fuel Purchased Power are to reimburse the costs associated with any non-fuel purchased power activities. Withdrawals can be made as necessary during the fiscal year and requires the approval of the CEO or the CFO.

	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
<i>(In Thousands)</i>								
Opening Balance	\$ 35,943	\$ 38,000	\$ 38,000	N/A	\$ 12,000	\$ 34,400	\$ 25,168	\$ 13,423
Additions:								
Contributions				-	26,000			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ 26,000	\$ -	\$ -	\$ -
Withdrawals	1,542	3,600	3,600	-	-	9,232	11,745	13,423
Sub-total	\$ 1,542	\$ 3,600	\$ 3,600	\$ -	\$ -	\$ 9,232	\$ 11,745	\$ 13,423
Ending Balance	\$ 34,401	\$ 34,400	\$ 34,400	N/A	\$ 38,000	\$ 25,168	\$ 13,423	\$ -

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ -	\$ -	\$ -	\$ -	\$ 12,000	\$ -	\$ -	\$ 2,400	\$ 12,000
Additions:									
Contributions				12,000	26,000	12,000	19,000	19,000	26,000
Sub-total	\$ -	\$ -	\$ -	\$ 12,000	\$ 26,000	-	-	-	-
Deductions:									
Withdrawals						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Ending balance	\$ -	\$ -	\$ -	\$ 12,000	\$ 38,000	\$ -	\$ -	\$ 10,000	\$ 38,000

Observations:

- The Non-Fuel Purchased Power Rate Stabilization Fund began in FY 2014.

Electric System Environmental Reserve

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Pricing Policy

Metric: Target equals the balance in the environmental liability account

Definitions and Goals: This reserve represents the initial amounts collected from the Electric System Environmental Charge and will be deposited until the balance in this reserve equals the balance in the environmental liability account. Withdrawals from this account will represent payments for these liabilities.

<i>(In Thousands)</i>	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	\$ 18,556	\$ 18,662	\$ 18,662	N/A	\$ 18,662	\$ 18,556	\$ 18,556	\$ 18,556
Additions:								
Contributions			-	N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals		106	106	N/A	-			
Sub-total	\$ -	\$ 106	\$ 106	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ 18,556	\$ 18,556	\$ 18,556	N/A	\$ 18,662	\$ 18,556	\$ 18,556	\$ 18,556

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 16,946	\$ 20,899	\$ 18,359	\$ 18,662	\$ 18,662	\$ 16,946	\$ 18,662	\$ 18,706	\$ 20,899
Additions:									
Contributions	3,953		970			970	2,462	2,462	3,953
Sub-total	\$ 3,953	\$ -	\$ 970	\$ -	\$ -	-	-	-	-
Deductions:									
Withdrawals		2,540	667			667	1,604	1,604	2,540
Sub-total	\$ -	\$ 2,540	\$ 667	\$ -	\$ -	-	-	-	-
Ending balance	\$ 20,899	\$ 18,359	\$ 18,662	\$ 18,662	\$ 18,662	\$ 18,359	\$ 18,662	\$ 19,049	\$ 20,899

Observations:

- The Environmental Reserve began in FY 2008.

Electric System Customer Deposits

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Management Directive 302 Credit and Collections and Internal Procedure CR40400 MBC302

Metric: Internal procedure CR40400 MBC302 Credit and Collections

Definitions and Goals: Pursuant to internal procedure CR40400 MBC302 Credit and Collections, JEA accesses customers a deposit that may be used to offset any future unpaid amounts during the course of providing utility service to a customer.

	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
<i>(In Thousands)</i>								
Opening Balance	\$ 41,757	\$ 42,389	\$ 42,389	N/A	\$ 42,688	\$ 41,084	\$ 41,084	\$ 41,084
Additions:								
Net Customer Activity			-	N/A	-			
Loan Repayment to ES Revenue Fund					-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Customer Activity	674	1,305	1,305		299			
Loan to ES Revenue Fund				N/A	-			
Sub-total	\$ 674	\$ 1,305	\$ 1,305	\$ -	\$ 299	\$ -	\$ -	\$ -
Ending Balance	\$ 41,083	\$ 41,084	\$ 41,084	N/A	\$ 42,389	\$ 41,084	\$ 41,084	\$ 41,084

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 38,801	\$ 42,767	\$ 43,454	\$ 44,882	\$ 42,688	\$ 38,801	\$ 42,767	\$ 42,518	\$ 44,882
Additions:									
Net Customer Activity	5,011	905	1,430			905	1,430	2,449	5,011
Loan Repayment to ES Revenue Fund	16,000					16,000	16,000	16,000	16,000
Sub-total	\$ 21,011	\$ 905	\$ 1,430	\$ -	\$ -	-	-	-	-
Deductions:									
Net Customer Activity	1,045	218	2	2,194	299	2	299	752	2,194
Loan to ES Revenue Fund	16,000					16,000	16,000	16,000	16,000
Sub-total	\$ 17,045	\$ 218	\$ 2	\$ 2,194	\$ 299				
Ending balance	\$ 42,767	\$ 43,454	\$ 44,882	\$ 42,688	\$ 42,389	\$ 42,389	\$ 42,767	\$ 43,236	\$ 44,882

Observations:

- JEA is in the process of implementing a prepaid meter program which could reduce customer deposits starting in Fiscal Year 2014.

Electric System Debt Service Sinking Fund

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution

Metric: Accrued interest and principal currently payable on fixed and variable rate bonds pursuant to the Bond Resolutions

Definitions and Goals: JEA is required monthly to fund from revenues an amount equal to the aggregate of the Debt Service Requirement for senior and subordinated bonds for such month into this account. On or before such interest payment date, JEA shall pay out of this account to the paying agents the amount required for the interest and principal due on such date.

(In Thousands)	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	\$ 92,206	\$ 134,927	\$ 134,927	N/A	\$ 120,458	\$ 136,232	\$ 167,573	\$ 155,377
Additions:								
Revenue Fund Deposits	44,889	177,847	177,847		181,006	220,670	208,690	199,650
Bond funded interest					-			
Sub-total	\$ 44,889	\$ 177,847	\$ 177,847	\$ -	\$ 181,006	\$ 220,670	\$ 208,690	\$ 199,650
Principal and Int Payments	863	176,542	176,542	N/A	166,537	189,329	220,886	217,412
Sub-total	\$ 863	\$ 176,542	\$ 176,542	\$ -	\$ 166,537	\$ 189,329	\$ 220,886	\$ 217,412
Ending Balance	\$ 136,232	\$ 136,232	\$ 136,232	N/A	\$ 134,927	\$ 167,573	\$ 155,377	\$ 137,615

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 86,769	\$ 125,988	\$ 107,754	\$ 101,305	\$ 120,458	\$ 86,769	\$ 107,754	\$ 108,455	\$ 125,988
Additions:									
Revenue Fund Deposits	187,629	159,724	159,072	167,340	181,006	159,072	167,340	170,954	187,629
Bond funded interest	1,726					1,726	1,726	1,726	1,726
Sub-total	\$ 189,355	\$ 159,724	\$ 159,072	\$ 167,340	\$ 181,006	-	-	-	-
Deductions:									
Principal and Int Payments	150,136	177,958	165,521	148,187	166,537	148,187	165,521	161,668	177,958
Sub-total	\$ 150,136	\$ 177,958	\$ 165,521	\$ 148,187	\$ 166,537	-	-	-	-
Ending balance	\$ 125,988	\$ 107,754	\$ 101,305	\$ 120,458	\$ 134,927	\$ 101,305	\$ 120,458	\$ 118,086	\$ 134,927

Observations:

- September 30th ending balances are used to pay the October 1st interest and principal payments.
- This report does not include any Scherer debt service sinking funds.
- Timing differences occur due to the accrual of debt service during one fiscal year and the payment in the following fiscal year (primarily fixed rate principal and interest on October 1st of the following fiscal year).

Electric System Debt Service Reserve Account

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution

Metric: Maximum interest payable on outstanding senior Electric System bonds as required by the Bond Resolutions

Definitions and Goals: This reserve will be funded, maintained and held for the benefit of bondholders as specified in the Supplemental Resolution authorizing the sale of the bonds to pay principal and/or interest on the bonds should revenues from operations not be sufficient for such purpose in accordance with the appropriate bond resolution. It is JEA's current practice to fund this reserve account with cash from the sale of bonds; however, revenues may be utilized to fund this reserve if necessary.

	Actual as of 09/30/2016		Full Year Budget Amounts			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
(In Thousands)								
Opening Balance	\$ 60,582	\$ 64,595	\$ 64,595	N/A	\$ 64,841	\$ 60,582	\$ 60,582	\$ 60,582
Additions:								
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Release to Revenue Fund		4,013	4,013	N/A	246			
Sub-total	\$ -	\$ 4,013	\$ 4,013	\$ -	\$ 246	\$ -	\$ -	\$ -
Ending Balance	\$ 60,582	\$ 60,582	\$ 60,582	N/A	\$ 64,595	\$ 60,582	\$ 60,582	\$ 60,582

	Historical Actuals					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 72,226	\$ 72,226	\$ 72,226	\$ 64,841	\$ 64,841	\$ 64,841	\$ 72,226	\$ 69,272	\$ 72,226
Additions:									
Proceeds from Bonds			-	-	-	-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Defeasance			7,385		246	246	3,816	3,816	7,385
Sub-total	\$ -	\$ -	\$ 7,385	\$ -	\$ 246	-	-	-	-
Ending balance	\$ 72,226	\$ 72,226	\$ 64,841	\$ 64,841	\$ 64,595	64,595	64,841	67,746	72,226

Observations:

- This report does not include any Scherer debt service reserves.
- In FY 2007, the debt service reserve requirement was satisfied 100% by the use of debt service reserve surety policies. In accordance with the bond resolution, beginning in FY 2008, cash/investments replaced the downgraded sureties due to their downgrade by the rating agencies. Sureties of \$67.6 million are still outstanding but are not eligible to be utilized as debt service reserve deposits per the Bond Resolutions.
- The debt service reserve account balance is currently in excess of the the debt service reserve requirement under the bond resolution by \$3.0 million. The excess will be used, if needed, to (1) fund an increase in the reserve requirement caused by a future issuance of new money bonds and/or variable to fixed refunding bonds, (2) help satisfy cash reserve targets instituted by the rating agencies, and/or (3) redeem bonds, in accordance with applicable tax laws.

Electric Renewal and Replacement (R&R) / Operating Capital Outlay (OCO)

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution, Article 21 of the City of Jacksonville Charter and Pricing Policy

Metric: Renewal and Replacement required to deposit from the revenue fund annually an amount equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues per JEA's Electric System bond resolutions. Operating Capital Outlay - by 2013 the goal is to fund all non-capacity capital expenditures.

Definitions and Goals: Pursuant to the Electric System bond resolution and Article 21 of the City of Jacksonville Charter, JEA is required to deposit from the revenue fund annually an amount for Renewal and Replacement of system assets. According to the bond resolutions the amount is equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues. The funds shall be used for the purposes of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the Electric System. In addition, as a portion of the base rate, JEA will recover from current revenue a formula driven amount for capital expenditures which is referred to as Operating Capital Outlay. This amount is calculated separately from the R&R deposit and may be allocated for use between capacity or non-capacity related expenditures based on the most beneficial economic and tax related financing structure incorporating the use of internal and bond funding.

(In Thousands)	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	\$ 152,398	\$ 145,711	\$ 145,711	N/A	\$ 146,910	\$ 192,179	\$ 166,201	\$ 128,145
Additions:								
R&R/OCO Contribution	85,629	200,692	200,692		110,351	170,000	138,645	138,040
Loans betw Capital Fds				-	-			
Other	546	3,744	3,744	-	970	802	18,590	
Sub-total	\$ 86,175	\$ 204,436	\$ 204,436	\$ -	\$ 111,321	\$ 170,802	\$ 157,235	\$ 138,040
Deductions:								
Capital Expenditures	45,629	157,201	157,201		112,483	159,630	195,291	152,308
Transfers betw Capital Fds		2	2	-	37			
R&R/OCO Contribution								
Debt Defeasance				-	-	37,150		
Other	765	765	765					
Sub-total	\$ 46,394	\$ 157,968	\$ 157,968	\$ -	\$ 112,520	\$ 196,780	\$ 195,291	\$ 152,308
Ending Balance	\$ 192,179	\$ 192,179	\$ 192,179	N/A	\$ 145,711	\$ 166,201	\$ 128,145	\$ 113,877

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 48,626	\$ 73,727	\$ 105,235	\$ 140,486	\$ 146,910	\$ 48,626	\$ 105,235	\$ 102,997	\$ 146,910
Additions:									
R&R/OCO Contribution	156,406	142,822	124,630	85,639	110,351	85,639	124,630	123,970	156,406
Loans betw Capital Fds	-	-	-	-	-	-	-	-	-
Other	2,876	943	2,423	4,014	970	943	2,423	2,245	4,014
Sub-total	\$ 159,282	\$ 143,765	\$ 127,053	\$ 89,653	\$ 111,321				
Deductions:									
Capital Expenditures	115,181	112,257	91,802	82,889	112,483	82,889	112,257	102,922	115,181
Bond Buy Back	-	-	-	-	-	-	-	-	-
Transfer to Scherer	19,000								
Loans betw Capital Fds				340	37				
Other	-	-	-	-	-	-	-	-	-
Sub-total	\$ 134,181	\$ 112,257	\$ 91,802	\$ 83,229	\$ 112,520				
Ending balance	\$ 73,727	\$ 105,235	\$ 140,486	\$ 146,910	\$ 145,711	\$ 73,727	\$ 140,486	\$ 122,414	\$ 146,910

Observations:

- Other includes the Oracle Financing and Sale of Property.
- Includes \$47 million for Maximum Annual Debt Service calculation.

Electric Construction / Bond Fund

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution

Metric: Target = Capital expenditures per year minus internal funding available

Definitions and Goals: JEA maintains a senior and subordinated construction fund of which bonds proceeds are deposited and used for the payment of the costs of additions, extensions and improvements to the Electric System. The senior construction fund is limited to the costs of additions, extension and improvements relating to non-generation capital expenditures. The subordinated construction fund is used for capital projects relating to all categories of capital expenditures but primarily targeted to fund generation capital expenditures.

(In Thousands)	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	\$ -	\$ 4	\$ 4	N/A	\$ 42	\$ -	\$ -	\$ -
Additions:								
Bond Proceeds					-			
Line of Credit					-			
Transfers b/w Capital Fds	-				-			
Other		2	2		37			
Sub-total	\$ -	\$ 2	\$ 2	\$ -	\$ 37	\$ -	\$ -	\$ -
Deductions:								
Capital Expenditures		6	6	4	75	-	-	-
Bond Funded Interest					-			
Transfers b/w Capital Fds					-			
Other					-			
Sub-total	\$ -	\$ 6	\$ 6	\$ 4	\$ 75	\$ -	\$ -	\$ -
Ending Balance	\$ -	\$ -	\$ -	N/A	\$ 4	\$ -	\$ -	\$ -

(In Thousands)	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 36,981	\$ 63,915	\$ 40,034	\$ 5,184	\$ 42	\$ -	\$ 21,083	\$ 24,359	\$ 63,915
Additions:									
Bond Proceeds	91,545		1,550			1,550	46,548	46,548	91,545
Line of Credit						-	-	-	-
Transfers b/w Capital Fds				3,091		3,091	3,091	3,091	3,091
Other	562		34	340	37	34	189	243	562
Sub-total	\$ 92,107	\$ -	\$ 1,584	\$ 3,431	\$ 37				
Deductions:									
Capital Expenditures	63,371	23,385	35,253	4,821	75	75	23,385	25,381	63,371
Bond Funded Interest	1,802					1,802	1,802	1,802	1,802
Line of Credit									
Transfers b/w Capital Fds			35	3,091		35	1,563	1,563	3,091
Other		496	1,146	661		496	661	768	1,146
Sub-total	\$ 65,173	\$ 23,881	\$ 36,434	\$ 8,573	\$ 75				
Ending balance	\$ 63,915	\$ 40,034	\$ 5,184	\$ 42	\$ 4	\$ 4	\$ 5,184	\$ 21,836	\$ 63,915

Observations:

- JEA's philosophy has been to borrow bond funds on a "just-in-time" basis. Staff has used line of credit borrowings and loans between capital funds to decrease borrowing costs.
- No new debt issues for the FY 2017 - 2019 projection period.

Water and Sewer Debt Management Reserve

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Debt Management Policy

Metric: One-half percent of the par amount of outstanding variable debt (adjusted for variable to fixed rate long term swaps). Capped at 3% of the par amount of outstanding variable debt.

Definitions and Goals: For the period FY 04 through FY 09, an annual budgeted reserve contribution for variable rate debt was made. The calculation was based upon one half percent of the par amount of outstanding variable rate debt (adjusted for variable rate to fixed rate long term swaps). The budget reserve was capped at three percent of the par amount of the outstanding variable rate debt. The reserve can be used for any lawful purpose including debt service, debt repayment, and capital outlay and must be approved in writing by the CEO.

	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
<i>(In Thousands)</i>								
Opening Balance	\$ -	\$ -	\$ -	N/A	\$ 304	\$ -	\$ -	\$ -
Additions:								
Contributions					-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deductions:								
Withdrawals					304			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ 304	\$ -	\$ -	\$ -
Ending Balance	\$ -	\$ -	\$ -	N/A	\$ -	\$ -	\$ -	\$ -

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 6,458	\$ 6,458	\$ 6,458	\$ 304	\$ 304	\$ 304	\$ 6,458	\$ 3,996	\$ 6,458
Additions:									
Contributions						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Withdrawals			6,154		304	304	3,229	3,229	6,154
Sub-total	\$ -	\$ -	\$ 6,154	\$ -	\$ 304	-	-	-	-
Ending balance	\$ 6,458	\$ 6,458	\$ 304	\$ 304	\$ -	\$ -	\$ 304	\$ 2,705	\$ 6,458

Observations:

- This reserve fund discontinued contributions in FY 2009 due to adoption of new policy. Reserve activity reflected in RSF - Debt Management for that year.
- \$6 million was used in Sept 2013 for a defeasance.

Water and Sewer Rate Stabilization Debt Management

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: Difference in actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on unhedged variable rate debt.

Definitions and Goals: The Water & Sewer System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which deposits or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Funds provide a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits are made to this Rate Stabilization Fund for the purpose of managing JEA's debt portfolio. Deposits to this reserve reflect the difference in the actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on the unhedged variable rate debt. Additionally, deposits can be made from excess debt service budget over the actual debt service expense for any fiscal year. However, the total amounts deposited (in addition to actual debt service costs for the fiscal year) cannot exceed the total amount of the budgeted debt service for any fiscal year. At a minimum, 50% of the calculated reserve contribution, if any, will be recorded and deposited each fiscal year. Debt and Investment Committee will review and record at their option an additional contribution amount, up to the full value of the calculated reserve contribution (the remaining 50%). The reserve contributions will be calculated on a system by system basis; however, based on the calculation, any mandatory deposit will exclude the District Energy System. The reserve contributions shall cease in the event the reserve balance exceeds the cap of five percent of the par amount of the total outstanding variable rate debt of all systems. Withdrawals from the Rate Stabilization Fund for Debt Management Strategy can be made for expenses related to market disruption in the capital markets, disruption in availability of credit or unanticipated credit expenses, or to fund variable interest costs in excess of budget.

	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
<i>(In Thousands)</i>								
Opening Balance	\$ 20,290	\$ 20,290	\$ 20,290	N/A	\$ 20,290	\$ 20,290	\$ 14,209	\$ 14,209
Additions:								
Contributions	-	-	-	N/A	-			
Financial Statement Rounding								
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deductions:								
Withdrawals						6,081		
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,081	\$ -	\$ -
Ending Balance	\$ 20,290	\$ 20,290	\$ 20,290	N/A	\$ 20,290	\$ 14,209	\$ 14,209	\$ 14,209

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 9,514	\$ 17,560	\$ 20,290	\$ 20,290	\$ 20,290	\$ 9,514	\$ 20,290	\$ 17,589	\$ 20,290
Additions:									
Contributions	8,046	2,730				-	-	-	-
Sub-total	\$ 8,046	\$ 2,730	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Withdrawals						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Ending balance	\$ 17,560	\$ 20,290	\$ 20,290	\$ 20,290	\$ 20,290	\$ 17,560	\$ 20,290	\$ 19,744	\$ 20,290

Observations:

- Contributions began in June 2009.

Water & Sewer System Rate Stabilization - Environmental

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Definitions and Goals: The Water & Sewer System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which contributions or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Fund provides a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as debt management and regulatory requirements or initiatives.

(In Thousands)	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	\$ 4,505	\$ -	\$ -	N/A	\$ -	\$ 1,699	\$ -	\$ -
Additions:								
Contributions	6,759	23,635	23,635		-	11,837	11,916	12,000
Regulatory Receivable						4,909		
Sub-total	\$ 6,759	\$ 23,635	\$ 23,635	\$ -	\$ -	\$ 16,746	\$ 11,916	\$ 12,000
Deductions:								
Withdrawals	9,565	21,936	21,936		-	18,445	8,253	10,313
Regulatory Receivable							3,663	1,246
Sub-total	\$ 9,565	\$ 21,936	\$ 21,936	\$ -	\$ -	\$ 18,445	\$ 11,916	\$ 11,559
Ending Balance	\$ 1,699	\$ 1,699	\$ 1,699	N/A	\$ -	\$ -	\$ -	\$ 441

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions:									
Contributions						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -				
Deductions:									
Withdrawals						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -				
Ending balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Observations:

- Rate Stabilization Fund for Environmental began in June 2010.

Water and Sewer System Customer Deposits

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Management Directive 302 Credit and Collections and Internal Procedure CR40400 MBC302

Metric: Internal procedure CR40400 MBC302 Credit and Collections

Definitions and Goals: Pursuant to internal procedure CR40400 MBC302 Credit and Collections, JEA accesses customers a deposit that may be used to offset any future unpaid amounts during the course of providing utility service to a customer.

<i>(In Thousands)</i>	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	\$ 13,785	\$ 13,255	\$ 13,255	N/A	\$ 12,787	\$ 13,910	\$ 13,910	\$ 13,910
Additions:								
Allocated from Electric Loan Repayment	125	655	655	N/A	468			
Sub-total	\$ 125	\$ 655	\$ 655	-	\$ 468	-	-	-
Deductions:								
Allocated from Electric Loan to W&S Operations			-	N/A	-			
Sub-total	-	-	-	-	-	-	-	-
Ending Balance	\$ 13,910	\$ 13,910	\$ 13,910	N/A	\$ 13,255	\$ 13,910	\$ 13,910	\$ 13,910

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 8,517	\$ 9,727	\$ 12,627	\$ 13,860	\$ 12,787	\$ 8,517	\$ 12,627	\$ 11,504	\$ 13,860
Additions:									
Allocated from Electric Loan Repayment	1,210	2,900	1,233		468	468	851	851	1,233
Sub-total	\$ 1,210	\$ 3,900	\$ 1,233	-	\$ 468	-	-	-	-
Deductions:									
Allocated from Electric Loan to W&S Operations		1,000		1,073		1,073	1,073	1,073	1,073
Sub-total	-	\$ 1,000	-	\$ 1,073	-	-	-	-	-
Ending balance	\$ 9,727	\$ 12,627	\$ 13,860	\$ 12,787	\$ 13,255	\$ 9,727	\$ 12,787	\$ 12,451	\$ 13,860

Observations:

- JEA is in the process of implementing a prepaid meter program which could reduce customer deposits at some future date.

Water and Sewer Debt Service Sinking Fund

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution

Metric: Accrued interest and principal currently payable on fixed and variable rate bonds pursuant to the Bond Resolutions

Definitions and Goals: JEA is required monthly to fund from revenues an amount equal to the aggregate of the Debt Service Requirement for senior and subordinated bonds for such month into this account. On or before such interest payment date, JEA shall pay out of this account to the paying agents the amount required for the interest and principal due on such date.

(In Thousands)	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	\$ 41,187	\$ 67,720	\$ 67,720	N/A	\$ 75,019	\$ 65,410	\$ 82,277	\$ 82,131
Additions:								
Revenue fund deposits	24,505	97,077	97,077		102,789	120,883	121,878	122,454
Sub-total	\$ 24,505	\$ 97,077	\$ 97,077	\$ -	\$ 102,789	\$ 120,883	\$ 121,878	\$ 122,454
Deductions:								
Principal and interest payments	282	99,387	99,387	N/A	110,088	104,016	122,024	120,638
Sub-total	\$ 282	\$ 99,387	\$ 99,387	\$ -	\$ 110,088	\$ 104,016	\$ 122,024	\$ 120,638
Ending Balance	\$ 65,410	\$ 65,410	\$ 65,410	N/A	\$ 67,720	\$ 82,277	\$ 82,131	\$ 83,947

(In Thousands)	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 71,496	\$ 80,936	\$ 81,675	\$ 80,317	\$ 75,019	\$ -	\$ 77,668	\$ 64,907	\$ 81,675
Additions:									
Revenue fund deposits	120,846	125,160	119,535	117,444	102,789	102,789	119,535	117,155	125,160
Bond funded interest						-	-	-	-
Sub-total	\$ 120,846	\$ 125,160	\$ 119,535	\$ 117,444	\$ 102,789	-	-	-	-
Deductions:									
Principal and interest payments	111,406	124,421	120,893	122,742	110,088	110,088	120,893	117,910	124,421
Sub-total	\$ 111,406	\$ 124,421	\$ 120,893	\$ 122,742	\$ 110,088	-	-	-	-
Ending balance	\$ 80,936	\$ 81,675	\$ 80,317	\$ 75,019	\$ 67,720	\$ 67,720	\$ 80,317	\$ 77,133	\$ 81,675

Observations:

- September 30th ending balances are used to pay Oct 1st interest and principal payments.
- Timing differences occur due to the accrual of debt service during one fiscal year and the payment in the following fiscal year (primarily fixed rate principal and interest on Oct 1st of the following fiscal year).

Water and Sewer Debt Service Reserve Account

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution

Metric: 125% of average annual debt service on outstanding senior fixed and variable rate bonds plus subordinated fixed rate bonds as required by the Bond Resolutions

Definitions and Goals: This reserve will be funded, maintained and held for the benefit of bondholders as specified in the Supplemental Resolution authorizing the sale of the bonds to pay principal and/or interest on the bonds should revenues from operations not be sufficient for such purpose in accordance with the appropriate bond resolution. It is JEA's current practice to fund this reserve account with cash from the sale of bonds; however, revenues may be utilized to fund this reserve if necessary.

	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
(In Thousands)								
Opening Balance	\$ 108,086	\$ 108,849	\$ 108,849	N/A	\$ 116,829	\$ 108,086	\$ 108,086	\$ 108,086
Additions:								
Construction reserve fund/bond issues			-	N/A	-			
Revenue fund			-	N/A	-			
Rounding			-					
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deductions:								
Revenue fund		763	763		7,980			
Sub-total	\$ -	\$ 763	\$ 763	\$ -	\$ 7,980	\$ -	\$ -	\$ -
Ending Balance	\$ 108,086	\$ 108,086	\$ 108,086	N/A	\$ 108,849	\$ 108,086	\$ 108,086	\$ 108,086

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 91,239	\$ 102,214	\$ 119,131	\$ 119,915	\$ 116,829	\$ 91,239	\$ 116,829	\$ 109,866	\$ 119,915
Additions:									
Construction reserve fund/bond issues	10,975	10,917	784			784	10,917	7,559	10,975
Revenue fund	-	6,000	3,821			-	3,821	3,274	6,000
Sub-total	\$ 10,975	\$ 16,917	\$ 4,605	\$ -	\$ -	-	-	-	-
Deductions:									
Revenue fund			3,821	3,086	7,980	3,086	3,821	4,962	7,980
Sub-total	\$ -	\$ -	\$ 3,821	\$ 3,086	\$ 7,980	-	-	-	-
Ending balance	\$ 102,214	\$ 119,131	\$ 119,915	\$ 116,829	\$ 108,849	\$ 102,214	\$ 116,829	\$ 113,388	\$ 119,915

Observations:

- In 2008, debt service reserve sureties downgraded and JEA began replacing those downgraded sureties with cash/investments as required by the bond resolutions. Sureties of \$149.8 million are still outstanding but are not eligible to be utilized as debt service reserve deposits per the Bond Resolutions.

Water and Sewer Renewal and Replacement (R&R) / Operating Capital Outlay (OCO)

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution, Article 21 of the City of Jacksonville Charter and Pricing Policy

Metric: Renewal and Replacement required to deposit from the revenue fund annually an amount equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues per JEA's Water and Sewer System bond resolutions. Operating Capital Outlay - by 2013 the goal is to fund all non-capacity capital expenditures.

Definitions and Goals: Pursuant to the Water and Sewer System bond resolutions and Article 21 of the City of Jacksonville Charter, JEA is required to deposit from the revenue fund annually an amount for Renewal and Replacement of system assets. According to the bond resolutions the amount is equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues. The funds shall be used for the purposes of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the Electric System. In addition, as a portion of the base rate, JEA will recover from current revenue a formula driven amount for capital expenditures which is referred to as Operating Capital Outlay. This amount is calculated separately from the R&R deposit. In accordance with the Pricing Policy, by 2013, the objective is to fund an amount equal to all non-capacity capital expenditures with current year internally generated funds.

(In Thousands)	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	\$ 82,046	\$ 37,337	\$ 37,337	N/A	\$ 59,295	\$ 76,020	\$ 61,457	\$ 15,457
Additions:								
R&R/OCO Contribution	20,809	124,574	124,574	-	62,793	117,258	108,517	109,145
Loans betw Capital Fds	-	-	-	-	22	-	-	6
Other	3,159	30,889	30,889	-	653	8,600	8,600	8,600
Sub-total	\$ 23,968	\$ 155,463	\$ 155,463	\$ -	\$ 63,468	\$ 125,858	\$ 117,117	\$ 117,745
Deductions:								
Capital Expenditures	29,986	116,674	116,674	-	85,426	140,421	163,117	142,117
Transfer to Capacity Fund	8	106	106	-	-	-	-	-
Transfer to Construction Fund	-	-	-	-	-	-	-	-
R&R/OCO Contribution	-	-	-	-	-	-	-	-
Sub-total	\$ 29,994	\$ 116,780	\$ 116,780	\$ -	\$ 85,426	\$ 140,421	\$ 163,117	\$ 142,117
Ending Balance	\$ 76,020	\$ 76,020	\$ 76,020	N/A	\$ 37,337	\$ 61,457	\$ 15,457	\$ (8,915)

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 11,539	\$ 28,840	\$ 64,260	\$ 78,689	\$ 59,295	\$ 11,539	\$ 59,295	\$ 48,525	\$ 78,689
Additions:									
R&R/OCO Contribution	49,946	76,157	91,245	48,373	62,793	48,373	62,793	65,703	91,245
Loans betw Capital Fds	-	-	-	-	22	-	-	6	22
Other (incl septic tank)	1,067	5,771	1,539	1,614	653	653	1,539	2,129	5,771
Sub-total	\$ 51,013	\$ 81,928	\$ 92,784	\$ 49,987	\$ 63,468				
Deductions:									
Capital Expenditures	33,712	46,508	68,355	67,488	85,426	33,712	67,488	60,298	85,426
Loan Repayment	-	-	-	-	-	-	-	-	-
Transfer to Constr. Fund	-	-	10,000	1,893	-	-	947	2,973	10,000
Other (incl septic tank)	-	-	-	-	-	-	-	-	-
Sub-total	\$ 33,712	\$ 46,508	\$ 78,355	\$ 69,381	\$ 85,426				
Ending balance	\$ 28,840	\$ 64,260	\$ 78,689	\$ 59,295	\$ 37,337	\$ 28,840	\$ 59,295	\$ 53,684	\$ 78,689

Observations:

- Other includes the Septic Tank Phase-out project, Sale of Property, and the transfer of RSF - Environmental in FY 2016 - 2019
- Includes \$20 million for Maximum Annual Debt Service calculation.
- \$57 million is projected to be withdrawn from this capital balance in FY 2016-2017 to support the capital program with lower Net Revenues as planned with the June 2012 approved reduction in the October 1, 2012 rate increase.

Water and Sewer Capacity Fees / State Revolving Fund Loans

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Florida Statute and Rate Tariff

Metric: Tariff rate

Definitions and Goals: Capacity fees are charged to customers as a one- time fee for a new connection to the Water System and a one- time fee for a new connection to the Sewer System. Capacity charges may be used and applied for the purpose of paying costs of expansion of the Water and Sewer System or paying or providing for the payment of debt that was issued for the same purpose. In addition, the Water and Sewer System has received funds from the State Revolving Fund (SRF) program for the construction of water and wastewater treatment facilities. SRF loans are subordinated to all Water and Sewer System Revenue Bonds and Water and Sewer System Subordinated Revenue Bonds.

(In Thousands)	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	\$ 103,187	\$ 90,912	\$ 90,912	N/A	\$ 76,887	\$ 103,411	\$ 68,222	\$ 46,052
Additions:								
Capacity Fees	5,709	21,995	21,995	-	19,579	18,740	19,190	19,382
State Revolving Fd Loan				-	-			
Transfer from R&R/OCO Fund	47	145	145	-	246	650	650	650
Other	7	7	7	-	-			
Sub-total	\$ 5,763	\$ 22,147	\$ 22,147	\$ -	\$ 19,825	\$ 19,390	\$ 19,840	\$ 20,032
Deductions:								
Capital Expenditures	5,539	9,648	9,648	-	5,805	54,579	42,010	26,986
Other				-	-			
Sub-total	\$ 5,539	\$ 9,648	\$ 9,648	\$ -	\$ 5,805	\$ 54,579	\$ 42,010	\$ 26,986
Ending Balance	\$ 103,411	\$ 103,411	\$ 103,411	N/A	\$ 90,907	\$ 68,222	\$ 46,052	\$ 39,098

(In Thousands)	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 21,463	\$ 41,025	\$ 45,454	\$ 60,360	\$ 76,887	\$ 21,463	\$ 45,454	\$ 49,038	\$ 76,887
Additions:									
Capacity Fees	10,311	10,820	17,394	18,298	19,579	10,311	17,394	15,280	19,579
State Revolving Fd Loan	14,667	3,798	-	-	-	-	1,899	4,616	14,667
Loan Repayments	-	-	-	-	246	-	-	49	246
Other	-	-	12	-	5	-	-	3	12
Sub-total	\$ 24,978	\$ 14,618	\$ 17,406	\$ 18,298	\$ 19,830				
Deductions:									
Capital Expenditures	5,268	7,096	2,270	1,758	5,805	1,758	5,268	4,439	7,096
Loans betw Capital Fds	-	-	-	-	-	-	-	-	-
Other	148	3,093	230	13	-	13	189	871	3,093
Sub-total	\$ 5,416	\$ 10,189	\$ 2,500	\$ 1,771	\$ 5,805				
Ending balance	\$ 41,025	\$ 45,454	\$ 60,360	\$ 76,887	\$ 90,912	\$ 41,025	\$ 60,360	\$ 62,928	\$ 90,912

Observations:

Water and Sewer Environmental

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Pricing Policy

Metric: Unit tariff rates times consumption

Definitions and Goals: The Environmental Charge will be applied to all water, sewer, irrigation and non bulk user reclaimed consumption. The environmental charge revenue will be collected from customers to partially offset current and future environmental and regulatory needs as specified in the Pricing Policy for specific environmental and regulatory programs.

(In Thousands)	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	\$ 975	\$ -	\$ -	N/A	\$ 5,299	\$ 2,659	\$ 2,659	\$ 2,659
Additions:								
Environmental Contributions	9,080	15,539	15,539	-	22,056	17,255	7,388	9,958
Loans betw Capital Fds				-	-			
Other				-	-			
Sub-total	\$ 9,080	\$ 15,539	\$ 15,539	\$ -	\$ 22,056	\$ 17,255	\$ 7,388	\$ 9,958
Deductions:								
Capital Expenditures	7,396	12,880	12,880	-	7,318	17,255	7,388	9,958
Septic Tank Phase Out				-	203			
Other	-			-	589			
Sub-total	\$ 7,396	\$ 12,880	\$ 12,880	\$ -	\$ 8,110	\$ 17,255	\$ 7,388	\$ 9,958
Ending Balance	\$ 2,659	\$ 2,659	\$ 2,659	N/A	\$ 19,245	\$ 2,659	\$ 2,659	\$ 2,659

(In Thousands)	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 5,920	\$ 9,795	\$ (8,158)	\$ (9,857)	\$ 5,299	\$ (9,857)	\$ 5,299	\$ 600	\$ 9,795
Additions:									
Environmental Contributions	14,577	21,747	21,193	21,018	22,056	14,577	21,193	20,118	22,056
Loans betw Capital Fds	-	-	-			-	-	-	-
Other						-	-	-	-
Sub-total	\$ 14,577	\$ 21,747	\$ 21,193	\$ 21,018	\$ 22,056				
Deductions:									
Capital Expenditures	10,702	39,700	22,892	5,862	7,318	5,862	10,702	17,295	39,700
Septic Tank Phase Out					203	203	203	203	203
Other					589	589	589	589	589
Sub-total	\$ 10,702	\$ 39,700	\$ 22,892	\$ 5,862	\$ 8,110				
Ending balance	\$ 9,795	\$ (8,158)	\$ (9,857)	\$ 5,299	\$ 19,245	\$ (9,857)	\$ 5,299	\$ 3,265	\$ 19,245

Observations:

Water and Sewer Construction / Bond Fund

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution

Metric: Capital expenditures per year minus internal funding available

Definitions and Goals: JEA maintains a senior and subordinated construction fund of which bonds proceeds are deposited and used for the payment of the costs of additions, extensions and improvements to the Water and Sewer System.

(In Thousands)	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	\$ 681	\$ 664	\$ 664	N/A	\$ 326	\$ 152	\$ -	\$ -
Additions:								
Bond Proceeds			-	-	-			
Line of Credit			-	-	-			
Transfer from R&R/OCO Fund								
Other		17	17	-	344			
Sub-total	\$ -	\$ 17	\$ 17	\$ -	\$ 344	\$ -	\$ -	\$ -
Deductions:								
Capital Expenditures				-	6			
Bond Proceeds				-	-			
Other	529	529	529	-	-	152		
Sub-total	\$ 529	\$ 529	\$ 529	\$ -	\$ 6	\$ 152	\$ -	\$ -
Ending Balance	\$ 152	\$ 152	\$ 152	N/A	\$ 664	\$ -	\$ -	\$ -

(In Thousands)	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 18,708	\$ 29,622	\$ 7,419	\$ 2,305	\$ 326	\$ 326	\$ 7,419	\$ 11,676	\$ 29,622
Additions:									
Bond Proceeds	45,662	-	486	-	-	-	243	11,537	45,662
Line of Credit	-	-	-	-	-	-	-	-	-
Loans/trnsf btw CapFds	-	-	10,000	1,893	-	-	947	2,973	10,000
Other	-	-	3	476	344	-	3	165	476
Sub-total	\$ 45,662	\$ -	\$ 10,489	\$ 2,369	\$ 344				
Deductions:									
Capital Expenditures	34,172	20,243	14,855	3,784	6	6	14,855	14,612	34,172
Bond Proceeds	-	-	411	48	-	-	24	115	411
Line of Credit	-	-	-	-	-	-	-	-	-
Loans/trnsf btw CapFds	-	-	337	516	-	-	169	213	516
Other	576	1,960	-	-	-	-	288	634	1,960
Sub-total	\$ 34,748	\$ 22,203	\$ 15,603	\$ 4,348	\$ 6				
Ending balance	\$ 29,622	\$ 7,419	\$ 2,305	\$ 326	\$ 664	\$ 326	\$ 2,305	\$ 8,067	\$ 29,622

Observations:

- JEA's philosophy has been to borrow bond funds on a "just-in-time" basis. Staff has used line of credit borrowings and loans between capital funds to decrease borrowing costs.
- No new debt issues for the FY 2017-2019 projection.

II. A. 4.

JEA Energy Market Risk Management Policy Report



Building Community

AGENDA ITEM SUMMARY

December 1, 2016

SUBJECT:	JEA ENERGY MARKET RISK MANAGEMENT POLICY REPORT
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Purpose:	<input checked="" type="checkbox"/> Information Only	<input type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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Issue: The JEA Board approved the Energy Market Risk Management (EMRM) Policy in March 2014. The Policy was developed to codify the risk, governance, limits, and criteria associated with managing energy market exposure, and to comply with requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The reporting section of the Policy requires a quarterly report on JEA's financial and physical fuel and power transactions. This report includes physical transactions greater than one year and all financial transactions.

Significance: High. The Policy governs JEA's wholesale energy market risk management and allows JEA to execute certain physical and financial transactions. The attached report is provided to the Board Finance and Audit Committee and satisfies the requirements of the reporting section of the EMRM Policy.

Effect: Financial and physical transactions allow the JEA Fuels group to manage the risks inherent in the wholesale fuel and energy markets. The attached Finance and Audit Committee report summarizes JEA's current positions.

Cost or Benefit: The costs of financial transactions are reflected in comparison to market indices. The benefits include establishment of a stable fuel price for the future.

Recommended Board action: None required. The report is required by the EMRM Policy and is provided as information.

For additional information, contact: Steve McInall, 665-4309

Submitted by: PEM/ MJB/ SGM

MISSION
Energizing our community through high-value energy and water solutions.

VISION
JEA is a premier service provider, valued asset and vital partner in advancing our community.

VALUES

- Safety
- Service
- Growth²
- Accountability
- Integrity

Commitments to Action

- 1 Earn Customer Loyalty**
- 2 Deliver Business Excellence**
- 3 Develop an Unbeatable Team**

Energy Market Risk Management: Physical and Financial Positions as of 11/21/2016

II. A. 4.
12/1/2016
F&AC

Summary		
Projected FY17 Expense (Budget = \$412M)	\$451M	☹
Fuel Fund Ending Balance FY17	\$134M	☺
EMRM Compliance	Yes	☺
Counterparty Credit Limit Exceptions	No	☺
Any Issues of Concern	No	☺

Table 1: Physical Counterparties (Contracts One Year or Greater) as of 11/1/2016

Generating Unit	Fuel Type	Supplier/ Counterparty	Contract Type	Remaining Contract Value	Remaining Contract Term
SJRPP	Coal	Coal Marketing Company	Index w/ Collar	\$ 23,210,603	4 months
SJRPP	Coal	Sunrise Coal	Fixed Price	\$ 3,028,604	2 months
SJRPP	Coal	Coal Marketing Company	Fixed Price	\$ 88,142,275	12 months
Scherer 4	Coal	Alpha- Eagle Butte	Fixed Price	\$ 11,108,171	2 months
Scherer 4	Coal	Coal Sales, LLC	Fixed Price	\$ 3,879,380	2 months
Scherer 4	Coal	Arch Coal Sales Company, Inc	Fixed Price	\$ 272,040	2 months
Scherer 4	Coal	Alpha- Eagle Butte	Fixed Price	\$61,816,800	14 months
Scherer 4	Coal	Coal Sales, LLC	Fixed Price	\$ 49,572,934	14 months
NG Fleet	Natural Gas	Shell Energy	Index w/Fixed Price Option	\$ 300,167,458	4.6 years

Table 2: Financial Positions as of 11/1/2016

Year	Commodity	Physical Volume (mmBtu)	Hedged Volume (mmBtu)	Percent Hedged	Unhedged Cost (\$/mmBtu)	Hedge Type	Hedge Price	Mark-to-Market Value	Counter Party
FY17	Natural Gas	32,147,800	6,000,000	18.7%	\$3.04	Collar	\$2.93/\$4.50	\$1,161,750	Wells Fargo
FY18	Natural Gas	32,768,900	-	0.0%	\$3.02	-	-	-	-
FY19	Natural Gas	29,954,500	-	0.0%	\$2.93	-	-	-	-

Table 3: Fuel Procurement as of 11/21/2016

Fuel Type	Coal	Petcoke	Oil/Diesel	Purchased Power	Natural Gas	Renewables	Nuclear
FY17 Remaining							
Expected Spend (\$)	150.7M	24.9M	2.5M	17.3M	140.2M	9.8M	
% Procured	80%	62%	100%	0%	41%	100%	
% Hedged	80%	19%	100%	0%	14%	100%	
FY18							
Expected Spend (\$)	185.4M	66.5M	1.3M	24.3M	105.4M	12.8M	
% Procured	16%	8%	100%	0%	65%	100%	
% Hedged	16%	8%	100%	0%	0%	100%	
FY19							
Expected Spend (\$)	198.2M	67.2M	2.3M	24.2M	94.3M	11.9M	3.6M
% Procured	13%	8%	100%	0%	71%	100%	100%
% Hedged	13%	8%	100%	0%	0%	100%	100%

Supporting Notes:

- Fuel Fund balance reflects lowering the fuel rate to \$32.50, effective 12/2016.
- Renewable and nuclear power purchase agreements are not included in Table 1.
- Natural Gas Transportation is 100% fixed capacity and price.
- Solid fuel procurement – quarterly at Northside; longer term 2017/18 for SJRPP and Scherer.
- FY17 Energy Mix: 49% Gas, 45% Solid Fuel, 5% Purchase Power expected (based on MWH).
- In Table 3, the procured percent relates to inventory on hand or contracted with indexed pricing and the percent hedged is inventory on hand, contracted with fixed pricing or financial hedges.

II. B. 1.

JEA Calendar Years 2017 and 2018 Fixed Rate Refunding
Debt Parameter Resolutions for Electric, Water and
Sewer and St. Johns River Power Park Systems



Building Community

AGENDA ITEM SUMMARY

November 15, 2016

SUBJECT: JEA CALENDAR YEARS 2017 AND 2018 FIXED RATE REFUNDING DEBT PARAMETER RESOLUTIONS FOR ELECTRIC, WATER AND SEWER AND ST. JOHNS RIVER POWER PARK SYSTEMS

Purpose: Information Only Action Required Advice/Direction

Issue: Staff is requesting Board approval of all bond legal documents (listed in Attachment A) relating to delegated fixed rate debt refunding parameters and authorizations for the Electric System, Water and Sewer System and St. Johns River Power Park System.

Significance: High. Potential refunding transactions currently being evaluated require Board authorization.

Effect: Using the bond issuance delegation process makes better use of the Board's time and provides greater flexibility in meeting the fluctuating demands of the financial market.

Cost or Benefit: Potential debt service savings from lower interest rates if refundings can be executed in a timely manner based on favorable market conditions.

Recommended Board action: JEA staff is recommending that the Board approve and adopt Resolutions No. 2016-21, 2016-22, 2016-23, 2016-24 and 2016-25 and the related forms of Bond Purchase Agreement, Preliminary Official Statement, Escrow Deposit Agreement and Bond that will provide the Managing Director/CEO the authorization to price and execute Electric System, Subordinated Electric System, Water and Sewer System, Subordinated Water and Sewer System and St. Johns River Power Park System Issue Three, respectively, fixed rate refunding bonds within the stated parameters.

For additional information, contact: Joe Orfano, 665-4541

Submitted by: PEM/ MHD/ JEO/ rlh

MISSION
Energizing our community through high-value energy and water solutions.

VISION
JEA is a premier service provider, valued asset and vital partner in advancing our community.

VALUES
• Safety
• Service
• Growth
• Accountability
• Integrity

Commitments to Action

- 1 Earn Customer Loyalty
- 2 Deliver Business Excellence
- 3 Develop an Unbeatable Team



INTER-OFFICE MEMORANDUM

November 15, 2016

SUBJECT: JEA CALENDAR YEARS 2017 AND 2018 FIXED RATE REFUNDING DEBT PARAMETER RESOLUTIONS FOR ELECTRIC, WATER AND SEWER AND ST. JOHNS RIVER POWER PARK SYSTEMS

FROM: Paul E. McElroy, Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flannigan, Chair
Tom Petway
Ed Burr
Husein Cumber

BACKGROUND:

Since FY2010, JEA staff has utilized a debt financing approval process in which the Board delegated parameters, consistent with the current year budget, within which the Managing Director/CEO is authorized to price and execute future fixed rate bond issues. The process includes both fixed rate new money and refunding transactions. However, certain bond transactions, including but not limited to variable rate and synthetic fixed rate financings, continue to be brought to the Board on a deal-by-deal basis for approval. This provides staff with additional flexibility to move quickly and take advantage of market-related opportunities in the post financial crisis marketplace.

Staff, operating under subsequent Board approvals utilized this process for FY2011 and FY2012. For FY2013, the Managing Director/CEO utilized a variation of this delegation process whereby staff requested Board authorizations for fixed rate refunding transactions under delegated parameters on a deal-by-deal basis. In FY2014, and for CY2015 and 2016, the Board then returned to a delegation authorization process similar to that used in FY2010, 2011 and 2012, but limited the delegation authorizations to fixed rate refundings.

DISCUSSION:

To provide for efficiency in the Board's review time and provide staff with flexibility in taking advantage of market opportunities to lower debt service, staff is recommending the Board continue the delegation process most recently authorized in December 2014 for CY2015 and 2016. Under this process, the Board has authorized the Managing Director/CEO to price and execute future fixed rate bond refunding transactions (which may include full or partial terminations of interest rate swaps associated with the refunded variable rate bonds) within delegated parameters. The current action delegates such authorization for a period through the end of calendar year 2018 to refund existing variable rate and/or fixed rate bonds.

Board members will continue to have the opportunity to review and provide comments to staff, which is appropriate practice under federal securities laws, regarding all preliminary and final Official Statements prior to posting. These documents will be distributed to members electronically throughout the term of this delegated authorization, outside of regularly scheduled Board meetings, as specific bond issues are sold. The results of all bond issues sold will be reported back to the Board through quarterly reports to the Finance and Audit Committee.

These authorizations pertain only to refunding transactions. For the Electric, Water and Sewer and St. Johns River Power Park System (SJRPP) Issue Three refunding transactions, only the use of tax-exempt debt is authorized. All other types of bond transactions not specifically described in the attached resolutions, including but not limited to new money, taxable, or new synthetic fixed rate financings and variable-to-variable rate refundings, would continue to be brought to the Board on a deal-by-deal basis for approval.

Bond counsel has prepared Resolutions No. 2016-21, 2016-22, 2016-23, 2016-24 and 2016-25 for the Electric System (Senior and Subordinated), Water and Sewer System (Senior and Subordinated) and SJRPP Issue Three, respectively, to authorize the Managing Director/CEO to price and execute certain refundings and pay the cost of issuance within the following amounts and issuance parameters:

	Fixed-to-Fixed Rate Refunding Authorization Level	Variable-to-Fixed Rate Refunding Authorization Level
Electric System – Senior	\$105 million	\$466 million
Electric System – Subordinated	\$200 million	\$133 million
Water and Sewer System – Senior	\$115 million	\$138 million
Water and Sewer System – Subordinated	\$55 million	\$110 million
St. Johns River Power Park – Issue Three	\$80 million	Not applicable

For St. Johns River Power Park Bonds only:

- Final maturity for the SJRPP refunding bonds no later than October 1, 2037 for bonds that are refunding SJRPP Issue Three refunded bonds (final maturity of existing bonds)

For Electric System (Senior and Subordinated), Water and Sewer System (Senior and Subordinated) and SJRPP Issue Three bonds:

- Weighted average life no greater than the weighted average life of the refunded bonds plus one year.
- For fixed-to-fixed refunding bonds, bonds maturing on the October 1 next following the delivery date must have net present value savings, on an October 1 occurring at least one year and less than three years after the delivery date at least 3% present value savings, on an October 1 occurring at least three years and less than nine years after the delivery date at least 4% present value savings, and at least 5% present value savings thereafter. In lieu of this, present value savings for fixed-to-fixed rate current refundings shall not be less than 5%, measured on an aggregate basis.
- Present value savings for any fixed-to-fixed rate advance refundings shall not be less than 7.5%, measured on an aggregate basis.
- For variable rate bonds being refunded by fixed bonds, true interest cost for the fixed rate bonds shall not exceed 5%.
- If subject to optional redemption, optional redemption price shall not exceed 101% of the principal amount and the optional redemption date shall not be less than four years nor more than ten years from the date of issuance.
- Semiannual interest payments commencing on either the April 1 or October 1 next following the delivery date, as determined by the Managing Director/CEO.

Resolutions No. 2016-21, 2016-22, 2016-23, 2016-24 and 2016-25 authorize the sale of the bonds to JEA's Underwriters pursuant to negotiated sales. Resolutions No. 2016-21, 2016-22, 2016-23, 2016-24

and 2016-25 also supersede and repeal unused authorizations previously approved in Resolutions No. 2014-07, 2014-08, 2014-09, 2014-10 and 2014-12, respectively.

Staff will select senior underwriters from the group of investment banking firms under contract with JEA for the purpose of underwriting negotiated sales of JEA's debt. The resolutions state that the bonds must be sold no later than December 31, 2018, as determined by the signing date of the bond purchase agreement.

The resolutions also approve the forms of and authorize the execution of various legal documents that have been prepared by counsel in connection with the issuance of any fixed rate refunding bonds issued authorized under these resolutions including:

- Bond Purchase Agreement
- Preliminary Official Statement
- Escrow Deposit Agreement
- Bond Form

Staff will report back to the Finance and Audit Committee the results of any transaction(s) pursuant to authorizations at the next regularly scheduled meeting following the closing date of the refunding bonds.

RECOMMENDATION:

JEA staff is recommending that the Board approve and adopt Resolutions No. 2016-21, 2016-22, 2016-23, 2016-24 and 2016-25 and the related forms of Bond Purchase Agreement, Preliminary Official Statement, Escrow Deposit Agreement and Bond that will provide the Managing Director/CEO the authorization to price and execute Electric System, Subordinated Electric System, Water and Sewer System, Subordinated Water and Sewer System and St. Johns River Power Park System Issue Three, respectively, fixed rate refunding transactions within the stated parameters.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/JEO/rjh

DELEGATION RESOLUTIONS

- **Electric System: Series Three 2017/8X Supplemental Resolution** (Resolution No. 2016-21)
Exhibit A – Form of Bond Purchase Agreement
Exhibit B – Form of Preliminary Official Statement
Exhibit C – Form of Escrow Deposit Agreement

- **Electric System: Fifty-Fifth Supplemental Subordinated Resolution** (Resolution No. 2016-22)
Exhibit A – Form of Escrow Deposit Agreement

- **Water and Sewer System: Forty-Third Supplemental Resolution** (Resolution No. 2016-23)
Exhibit A – Form of Bond Purchase Agreement
Exhibit B – Form of Preliminary Official Statement
Exhibit C – Form of Escrow Deposit Agreement

- **Water and Sewer System: Eighteenth Supplemental Subordinated Resolution**
(Resolution No. 2016-24)
Exhibit A – Form of Escrow Deposit Agreement

- **St. Johns River Power Park System: Issue Three, Series X Supplemental Resolution**
(Resolution No. 2016-25)
Exhibit A – Form of Bonds
Exhibit B – Form of Bond Purchase Agreement
Exhibit C – Form of Preliminary Official Statement
Exhibit D – Form of Escrow Deposit Agreement

II. C.

Ernst & Young FY2016 External Audit Report



Building Community

AGENDA ITEM SUMMARY

November 15, 2016

SUBJECT:	ERNST & YOUNG FY2016 EXTERNAL AUDIT REPORT
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Purpose:	<input checked="" type="checkbox"/> Information Only	<input type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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Issue: Ernst & Young, LLP (E&Y) presented their audit plan for FY2016 at the Finance and Audit Committee (FAC) meeting on August 8, 2016. At that meeting, they outlined the scope of their services, identified the E&Y team that will perform the audit and presented the key considerations that will affect the FY2016 audit. On a yearly basis, the independent auditors meet with the FAC to review the results of the annual audit.

Significance: Auditing standards require the auditors to communicate certain matters to the Governing Board that may assist the Board in overseeing management’s financial reporting process. John DiSanto, Coordinating Partner from E&Y, has been invited to attend the December 1, 2016 Finance and Audit Committee meeting to discuss the FY2016 audited results.

Effect: Meeting with auditors to discuss the audit results will assist the Board in overseeing management’s financial reporting process.

Cost or Benefit: See effect above for benefits.

Recommended Board action: No action by the Committee is required. This item is submitted for information, only.

For additional information, contact: Janice Nelson

Submitted by: PEM/ MHD/ JRN

MISSION Energizing our community through high-value energy and water solutions.	VISION JEA is a premier service provider, valued asset and vital partner in advancing our community.	VALUES • Safety • Service • Growth? • Accountability • Integrity
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Commitments to Action

- 1 Earn Customer Loyalty**
- 2 Deliver Business Excellence**
- 3 Develop an Unbeatable Team**



INTER-OFFICE MEMORANDUM

November 15, 2016

SUBJECT: Ernst & Young FY2016 External Audit Report

FROM: Paul E. McElroy, Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair
Tom Petway
Ed Burr
Husein Cumber

BACKGROUND:

Auditing standards require the auditors to communicate certain matters to the Governing Board that may assist the Board in overseeing management's financial reporting process. Ernst & Young, LLP (E&Y) presented their audit plan for fiscal year 2016 at the Finance and Audit Committee (FAC) meeting on August 8, 2016. At that meeting, they outlined the scope of their services, identified the E&Y team that will perform the audit and presented the key considerations that will affect the FY2016 audit. Representatives from E&Y have been invited to attend the December 1, 2016 Finance and Audit Committee meeting to discuss FY2016 audited results.

DISCUSSION:

Attached is a draft copy of JEA's Audited Financial Statements. In addition, attached is a copy of the Audit Report on the Allocation of Net Pension Liability of the City of Jacksonville General Employees Retirement Plan (GERP) performed by Carr, Riggs & Ingram (CRI). This report summarizes the results of the audit and also contains communications required by auditing professional standards. E&Y relies on the audit performed by CRI to support JEA's allocations (deferred inflows of resources, deferred outflows of resources, pension expense and net pension liability) of GERP that is included in JEA's financial statements.

RECOMMENDATION:

No action by the Committee is required. This item is submitted for information, only.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/JRN

II. C.
12/1/2016
F&AC

II. C.

Ernst & Young FY2016 External Audit Report

The E&Y FY2016 Annual External Audit Report and Management Letter will be distributed at the Finance & Audit Committee Meeting during John DiSanto's report.

**City of Jacksonville
General Employees Retirement Plan**

**Audit Report on Schedules of Pension-Related
Amounts**

September 30, 2015





**City of Jacksonville General Employees Retirement Plan
Schedules of Pension-Related Amounts**

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September 30, 2015**

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Join Our Conversation	--
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INDEPENDENT AUDITOR'S REPORT

Jacksonville City Council
Board of Directors, Jacksonville Electric Authority

We have audited the accompanying schedule of employer allocations and net pension liability of the City of Jacksonville Retirement System's General Employees Retirement Plan (the "Plan") as of September 30, 2015, (the "Schedule") and the related notes. We have also audited the columns titled net pension liability at September 30, 2015, total deferred outflows of resources, total deferred inflows of resources, and pension plan expense ("Specified Column Totals") included in the accompanying schedule of collective pension amounts of the Plan as of and for the year ended September 30, 2015, and the related notes.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the Schedule and the Specified Column Totals included in the schedule of collective pension amounts based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule and Specified Column Totals included in the schedule of collective pension amounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule and Specified Column Totals included in the schedule of collective pension amounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule and Specified Column Totals included in the schedule of collective pension amounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule and Specified Column Totals included in the schedule of collective pension amounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule and Specified Column Totals included in the schedule of collective pension amounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion the Schedule and Specified Column Totals included in the schedule of collective pension amounts referred to above present fairly, in all material respects, the employer allocations and net pension liability as of September 30, 2015, and the total deferred outflows of resources, total deferred inflows of resources, and pension expense for the Plan as of and for the year ended September 30, 2015, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Schedule and the Specified Column Totals included in the schedule of collective pension amounts are not intended to be a complete presentation of the Plan's financial statements. Our opinions are not modified with respect to this matter.

Restriction on Use

This report is intended solely for the information and use of the City of Jacksonville, Jacksonville Electric Authority (JEA), Jacksonville Housing Authority (JHA), North Florida Transportation Planning Organization and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Carly Riggs & Ingram, L.L.C.

Gainesville, Florida
September 28, 2016

City of Jacksonville General Employees Retirement Plan
Schedule of Employer Allocations and Net Pension Liability

September 30, 2015

Entity	Employer Contributions	Proportion of Net Pension Liability	Net Pension Liability
City of Jacksonville	\$ 39,874,000	48.78%	\$ 476,736,962
JEA	40,179,000	49.15%	480,353,047
Jacksonville Housing Authority	1,555,000	1.90%	18,569,090
North Florida Transportation Planning Organization	143,000	0.17%	1,661,445
Total	\$ 81,751,000	100.00%	\$ 977,320,544

See accompanying notes.

City of Jacksonville General Employees Retirement Plan
Schedule of Collective Pension Amounts
As of and for the year ended September 30, 2015

Entity	Deferred Outflows of Resources				Deferred Inflows of Resources				
	Net Pension Liability September 30, 2015	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Differences Between Expected and Actual Experience		Total Deferred Outflows of Resources	Changes in Proportion	Changes of Assumptions	Total Deferred Inflows of Resources	Pension Plan Expense
			Changes of Assumptions	Changes in Proportion					
City of Jacksonville	\$ 476,736,962	\$ 49,879,234	\$ 29,714,539	\$ -	\$ 79,593,773	\$ 6,030,624	\$ 7,041,670	\$ 16,507,266	\$ 54,801,555
JEA	480,353,047	50,257,572	29,939,926	1,924,668	82,122,166	-	7,095,082	10,556,109	57,217,491
Jacksonville Housing Authority	18,569,090	1,942,816	1,157,393	3,592,712	6,692,921	-	274,276	408,070	3,091,446
North Florida Transportation Planning Organization	1,661,445	173,831	103,556	513,244	790,631	-	24,540	36,511	324,551
Total	\$ 977,320,544	\$ 102,253,453	\$ 60,915,414	\$ 6,030,624	\$ 169,199,491	\$ 6,030,624	\$ 14,435,568	\$ 27,507,956	\$ 115,435,043

See accompanying notes.

City of Jacksonville General Employees Retirement Plan Notes to Schedules of Pension-Related Amounts

NOTE 1 – SUMMARY OF THE PLAN

The City of Jacksonville sponsors the City of Jacksonville Retirement System (JRS) which includes the General Employees Retirement Plan (GERP). The JRS arises out of Chapter 16 of the City Charter, Chapter 120 of Ordinance Code of the City of Jacksonville, and Chapter 112, Part VII, Florida Statutes. Provided other criteria are met, the GERP is available to City employees who are employed by one of the following entities: City of Jacksonville, JEA, Jacksonville Housing Authority (JHA), and North Florida Transportation Planning Organization (TPO). Effective October 1, 2009, the City added an employee choice defined contribution alternative to the defined benefit plan for all members of the GERP. The City hired a third party administrator to assist employees with the management of their individual accounts within a number of investment options including model portfolios. All full-time City employees, the employees of JEA, JHA and the employees of TPO are eligible to participate in the GERP upon employment.

As of September 30, 2015, the General Employees Retirement Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	4,976
Terminated employees vested, not yet receiving benefits	65
Active employment plan members:	
Vested	3,785
Non-vested	<u>1,032</u>
Total plan membership	9,858

The GERP is open to employees of the JEA, JHA, TPO, and City of Jacksonville, other than police officers and firefighters. Appointed officials and permanent employees not in the civil service system may opt to become members of the Retirement System. Elected officials are members of the Florida Retirement System Elected Officer Class. Participation in the Retirement System is mandatory for all full time employees of the City who otherwise meet the requirements for participation. Members of the GERP are eligible to retire with a normal pension benefit upon achieving one of the following:

- (a) Completing thirty (30) years of credited service, regardless of age;
- (b) Attaining age fifty-five (55) with twenty (20) years of credited service; or
- (c) Attaining age sixty-five (65) with five (5) years of credited service.
- (d) There is no mandatory retirement age.

Upon reaching one of the three conditions for retirement described above, a member is entitled to a retirement benefit of two and one-half (2.5) percent of final average compensation, multiplied by the number of years of credited service, up to a maximum benefit of eighty (80) percent of final monthly compensation. A time service retirement benefit is payable bi-weekly to commence upon the first



City of Jacksonville General Employees Retirement Plan Notes to Schedules of Pension-Related Amounts

NOTE 1 – SUMMARY OF THE PLAN (CONTINUED)

payday coincident with or next payday following the member's actual retirement and will continue until death, or the death of their surviving beneficiary, if this option is selected.

Each member and survivor is entitled to a cost of living adjustment ("COLA"). The COLA consists of a three (3) percent increase of the retiree's or survivor's pension benefits, which compounds annually. The COLA commences in the first full pay period of April occurring at least 4.5 years (and no more than 5.5 years) after retirement. In addition, there is a supplemental benefit. The supplemental benefit is equal to five dollars (\$5) multiplied by the number of years of credited service. This benefit may not exceed one-hundred and fifty dollars (\$150) per month.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Governmental Accounting Standards Board (GASB) Statement No. 67

The Plan is required to report pension information in its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, as amended.

The accompanying schedules relate only to certain pension-related amounts and they do not constitute a full set of financial statements for the Plan.

The accompanying schedules were prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the accompanying schedules, adhere to the reporting requirements established by the GASB.

Basis of Accounting

The Plan prepares its financial statements using the accrual basis of accounting.

Proportionate Share Allocation Methodology

The basis for each entity's proportion is actuarially determined by comparing the entity's employer contributions for the year ended September 30, 2015. This basis is intended to measure the proportion of each entity's long term funding requirements. In the previous year, each entity's proportion was actuarially determined by comparing each entity's present value of all future benefits calculated. This change in allocation methodology was made to provide more useful information to the users of the financial statements by using a methodology which is considered to be more widely used by other entities.

City of Jacksonville General Employees Retirement Plan Notes to Schedules of Pension-Related Amounts

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in the Preparation of the Schedules

The preparation of these schedules in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

Relationship to the Basic Financial Statements

The net pension liability, pension expense, deferred inflows of resources and deferred outflows of resources reported in the Schedules of Pension-Related Accounts have been determined on the same basis as they will be reported by the Plan in the Comprehensive Annual Financial Report of The City of Jacksonville, Florida.

Investments

Investments are recorded at fair value. Investment values fluctuate and are subject to market volatility.

NOTE 3 – NET PENSION LIABILITY AND ACTUARIAL ASSUMPTIONS AND METHODS

The components of the net pension liability are as follows:

Total pension liability	\$ 2,717,211,544
Plan fiduciary net position	1,739,891,000
<hr/>	
<u>Net pension liability</u>	<u>\$ 977,320,544</u>

The total pension liability was determined as of a measurement date of September 30, 2015, using an actuarial valuation date of October 1, 2015, and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases assumption	3.00% - 6.00%, of which 2.75% is the Plan's long-term payroll inflation.
Investment rate of return	7.50%, net of pension plan investment expense, including inflation.
Pre-retirement mortality rates	RP-2014 Employee Mortality Table, set forward four years for males and three years for females, projected generationally with Scale MP-2015.
Healthy annuitant mortality rates	RP-2014 Healthy Annuitant Mortality Table, set forward four years for males and three years for females, projected generationally with Scale MP-2015.
Disabled annuitant mortality rates	RP-2014 Disabled Retiree Mortality Table, set forward four years projected generationally with Scale MP-2015.

City of Jacksonville General Employees Retirement Plan Notes to Schedules of Pension-Related Amounts

NOTE 3 – NET PENSION LIABILITY AND ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

The actuarial assumptions used in the October 1, 2015 valuation were based on the results of an experience study for the period October 1, 2007 to September 30, 2012, with additional changes based on an interim study of mortality experience through September 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return by the target asset allocation as of September 30, 2015 are summarized in the following table. The long-term expected real rates of return are based on 20-year projections of capital market assumptions provided by Segal Rogerscasey.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35%	6.34%
International equity	20%	7.04%
Fixed income	19%	1.34%
Real estate	25%	4.14%
Cash	1%	0.74%

Discount Rate

The discount rate used to measure the total pension liability is 7.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at their applicable contribution rates and that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability. Cash flow projections were run for a 120-year period.

Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

**City of Jacksonville General Employees Retirement Plan
Notes to Schedules of Pension-Related Amounts**

NOTE 3 – NET PENSION LIABILITY AND ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Proportional share of the Net Pension Liability	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
City of Jacksonville	\$ 624,694,897	\$ 476,736,962	\$ 348,735,702
JEA	\$ 634,471,181	\$ 480,353,047	\$ 351,380,889
Jacksonville Housing Authority	\$ 24,526,862	\$ 18,569,090	\$ 13,583,391
North Florida Transportation Planning Organization	\$ 2,194,509	\$ 1,661,445	\$ 1,215,356

NOTE 4 – SUBSEQUENT EVENTS

The investments of the General Employees Retirement Plan are pooled within the Jacksonville Retirement System. At September 30, 2015, the investments of the Jacksonville Retirement System were valued at \$1,895,295,654. Since this time the values have changed and at July 31, 2016 they were valued at \$2,060,374,435.

September 28, 2016

To the Jacksonville City Council
Board of Directors, JEA

We are pleased to present the results of our audit of the schedule of employer allocations and net pension liability, and the column totals specified in our auditor's report of the schedule of collective pension amounts (the "Schedules") of the City of Jacksonville Retirement System's General Employees Retirement Plan (the "Plan").

This communication summarizes our audit, the report issued and various analyses and observations related to the financial accounting and reporting practices followed. The document also contains the communications required by our professional standards.

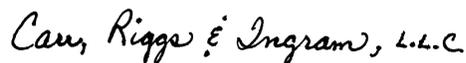
The audit was designed, primarily, to express an opinion on the Schedules. We considered an assessment of risks that could materially affect the financial statements and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of your personnel.

At Carr, Riggs & Ingram, LLC ("CRI"), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This information is intended solely for the information and use of you and management and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact us.

Very truly yours,



CARR, RIGGS & INGRAM, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Required Communications

Our audit plan represented an approach responsive to the assessment of risk. Specifically, we planned and performed our audit to:

- Perform audit services in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, in order to express an opinion on the Schedules as of and for the year ended September 30, 2015;
- Communicate directly with you and management regarding the results of our procedures;
- Address with you and management any accounting and financial reporting issues;
- Anticipate and respond to your concerns and those of management; and
- Address other audit-related projects as they arise and upon request.

Required Communications

We have audited the Schedules as of and for the year ended September 30, 2015, and have issued our report thereon dated September 28, 2016. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Auditor's responsibility under Generally Accepted Auditing Standards</p>	<p>As stated in our engagement letter dated May 9, 2016, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the Plan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>
<p>Client's responsibility</p>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p>
<p>Planned scope and timing of the audit</p>	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>
<p>Management judgments and accounting estimates <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditor's conclusion regarding the reasonableness of those estimates.</i></p>	<p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."</p>
<p>Potential effect on the financial statements of any significant risks and exposures <i>Major risks and exposures facing the Plan and how they are disclosed.</i></p>	<p>No such risks or exposures were noted.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor's judgment about the quality of accounting principles</p> <ul style="list-style-type: none"> • <i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</i> • <i>The auditor should also discuss the auditor's judgment about the quality, not just the acceptability, of the Plan's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures. Critical accounting policies and practices applied by the Plan in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;</i> • <i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.</i> 	<p>Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used are described in Note 2 of the audit report. We noted no transactions entered into during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the Schedules in the proper period.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Significant difficulties encountered in the audit <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	None.
<p>Disagreements with management <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditor's report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	None.
<p>Other findings or issues <i>Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.</i></p>	None.
<p>Matters arising from the audit that were discussed with, or the subject of correspondence with, management <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	None.
<p>Corrected and uncorrected misstatements <i>All significant audit adjustments arising from the audit, whether or not recorded by the Plan, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Committee about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	No misstatements were detected as a result of our audit procedures.
<p>Major issues discussed with management prior to retention <i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	None.

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Consultations with other accountants</p> <p><i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	None of which we are aware.
<p>Written representations</p> <p><i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	See "Management Representation Letter" section.
<p>Internal control deficiencies</p> <p><i>Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditor's attention during the audit.</i></p>	See "Internal Control Findings" section.
<p>Fraud and illegal acts</p> <p><i>Fraud involving senior management, the Plan Administrator or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditor's attention involving senior management and any other illegal acts, unless clearly inconsequential.</i></p>	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
<p>Other information in documents containing audited financial statements</p> <p><i>The external auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>

Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of the Plan's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. Management may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Investments	Based on our procedures performed with respect to the Plan's investments, we noted that it appears the Plan accounts for investments in accordance with all applicable standards.	X	The Plan relies on valuations from investment managers for approximately 100% of the asset values.	The Plan's policies are in accordance with all applicable accounting guidelines.
Pension-Related Amounts	Based on our procedures performed with respect to the Plan's total pension liability, we noted that it appears the Plan accounts for investments in accordance with all applicable standards.	X	The Plan relies on valuations from actuarial experts to estimate the pension related amounts and how they should be allocated to the participating entities.	The Plan's policies are in accordance with all applicable accounting guidelines.



DEPARTMENT OF FINANCE AND ADMINISTRATION, ACCOUNTING DIVISION

September 28, 2016

Carr, Riggs & Ingram, LLC
4010 NW 25th Place
Gainesville, FL 32606

This representation letter is provided in connection with your audit of the Schedules of Pension-Related Amounts of the City of Jacksonville General Employees Retirement Plan as of September 30, 2015, for the purpose of expressing an opinion as to whether the Schedule of Employee Allocations and Net Pension Liability, and the Schedule of Collective Pension Amounts are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Presentation of Specified Element

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 9, 2016, including our responsibility for the preparation and fair presentation of the Allocation of the Net Pension Liability.
- 2) The Schedules of Pension-Related Amounts referred to above is fairly presented in conformity with accounting principles generally accepted in the United States of America.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules of Pension-Related Amounts that is free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the accounting principles generally accepted in the United States of America.
- 7) All events subsequent to the date of the Schedules of Pension-Related Amounts and for which the accounting principles generally accepted in the United States of America requires adjustment or disclosure have been adjusted or disclosed.

- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
- 9) Material concentrations have been properly disclosed in accordance with accounting principles generally accepted in the United States of America.
- 10) Guarantees, whether written or oral, under which the company is contingently liable, have been properly recorded or disclosed in accordance with accounting principles generally accepted in the United States of America.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the specified element, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 12) All material transactions have been recorded in the accounting records and are reflected in the Schedules of Pension-Related Amounts.
- 13) We have disclosed to you the results of our assessment of the risk that the Schedules of Pension-Related Amounts may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the Schedules of Pension-Related Amounts.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's Schedules of Pension-Related Amounts communicated by employees, former employees, analysts, regulators, or others.
- 16) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the Schedules of Pension-Related Amounts.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the Schedules of Pension-Related Amounts.
- 18) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- 19) The Company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

Signature: 

Kevin G. Stork

Signature: 

Patrick Greive

Title: Comptroller

Title: Treasurer

September 28, 2016

To the Jacksonville City Council
Board of Directors, JEA

In planning and performing our audit of the Schedules of Pension-Related Amounts (the “Schedules”) for the City of Jacksonville’s General Employees Retirement Plan (the “Plan”) as of and for the year ended September 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Plan’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Schedules, but not for the purpose of expressing an opinion on the effectiveness of the Plan’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

However, we identified a deficiency in internal control that did not rise to the level of a significant deficiency or material weakness and is not required to be communicated but has been included to assist management in the evaluation of their procedures. This deficiency has been described in the table on the following page.

This communication is intended solely for the information and use of management, and others within the General Employees Retirement Plan for the City of Jacksonville, and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Internal Control Findings

The following legend should be used in conjunction with reviewing the “Rating” of each of the identified internal control items:

IP = Improvement Point	D = Control Deficiency	SD = Significant Deficiency	MW = Material Weakness
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ITEM	RATING	AREA	ITEM NOTED	SUGGESTION
1	D	Census data	When testing the September 30, 2015 year-end census data errors were noted relating to: the monthly pension benefit amount, the participant’s marital status, and the amount of pension supplement given. The impact of these errors was not material.	The census data should be periodically reviewed to ensure it is accurate and has been updated for all changes which have been communicated by the participants.

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Carr, Riggs & Ingram, LLC



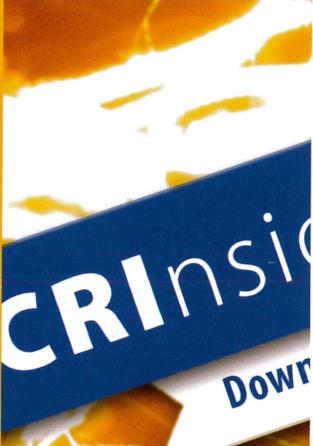
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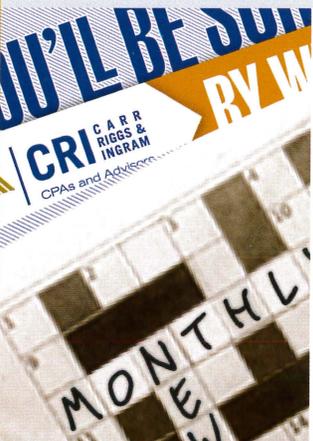
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