

**JEA
FINANCE & AUDIT COMMITTEE AGENDA**

DATE: December 5, 2017
TIME: 12:00 – 1:30 PM
PLACE: 21 W. Church Street
 8th Floor Conference Room

| | | | 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 7, 2017 | Melissa Charleroy | A | |
| II. | NEW BUSINESS | | | | |
| | A. | Audit Services – Quarterly ERM/Audit Update | Steve Tuten/Frank DiBenedetto | I | 5 mins. |
| | B. | Ethics Officer Quarterly Report | Walette Stanford | I | 5 mins. |
| | C. | Treasury | | | |
| | 1. | Electric System and Water and Sewer System Reserve Fund Quarterly Report | Joe Orfano | I | 5 mins. |
| | D. | JEA Energy Market Risk Management Policy Report | Steve McInall | I | 5 mins. |
| | E. | Ernst & Young FY2017 External Audit Report | John DiSanto | I | 45 mins. |
| | F. | Announcements | | | |
| | 1. | Next Meeting, March 12, 2018, 8:00 – 10:00 AM | | | |
| | G. | Committee Discussion Sessions | | | |
| | 1. | Ernst & Young | John DiSanto | I | 5 mins. |
| | 2. | Director, Audit Services | Steve Tuten | I | 5 mins. |
| | 3. | Council Auditor’s Office | Jeff Rodda | I | 5 mins. |
| | | Adjournment | | | |

I. C.

Approval of Minutes - August 7, 2017

JEA FINANCE & AUDIT COMMITTEE MINUTES
August 7, 2017

The Finance & Audit Committee of JEA met on Monday, August 7, 2017, in the 8th Floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida.

Agenda Item I – Opening Considerations

- A. Call to Order – Chair Kelly Flanagan called the meeting to order at 8:00 AM with Member Husein Cumber in attendance telephonically. Others in attendance were Paul McElroy, Melissa Dykes, Brian Roche, Kerri Stewart, Ted Hobson, Jody Brooks, Steve Tuten, Joe Orfano, Walette Stanford, Janice Nelson, Ryan Wannemacher, Steve McInall, Frank DiBenedetto, Lee Montanez, Lori Phelan, and Judi Spann. John DiSanto and Russ Jeans, Ernst & Young; and Rob Smedley, RS&H, were also in attendance.

Due to a lack of quorum physically present, agenda items were received for information only. Action items will be brought before the August 15, 2017 full Board for action.

- B. Adoption of Agenda – Due to a lack of quorum, the agenda was received for information.
- C. Approval of Minutes – Due to a lack of quorum, the May 8, 2017 Minutes were received for information.

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 FY18 Internal Audit Plan, including information on the annual planning approach, risk assessment survey, and the description of scheduled audits, and proposed timeline. Due to a lack of quorum, this agenda item was received for information and will be brought to the August 15, 2017 Board Meeting for action.
- B. Annual Approval of Audit Services Charter – Steve Tuten, Director, Audit Services, presented the JEA Audit Services Charter, noting that the Institute of Internal Auditors (IIA) requires the Finance and Audit Committee annually review and formally approve the Charter. Mr. Tuten stated no revisions have been made to the Charter. Due to a lack of quorum, this agenda item was received for information and will be brought to the August 15, 2017 Board Meeting for action.
- C. Audit Services – Quarterly ERM/Audit Update – Steve Tuten, Director, Audit Services, provided an update to the Committee regarding the filling of the open Senior Auditor position, progress of the FY17 Internal Audit Plan, open audit and investigation report issues, ERM highlights, risks and trend report, and the Ethics Hotline Report. Frank DiBenedetto, Manager, Enterprise Risk Management, provided a review of the Enterprise Compliance & Risk Committee and Subcommittees, as well as the new Information Security Governance Committee. This presentation was received for information.
- D. Ethics Officer Quarterly Report – Walette Stanford, Ethics Officer and Director, Workforce Strategies, provided an update regarding ethics inquiries, FY17 gift registry, and the Ethics Matters resource card that will be distributed to employees this month. This presentation was received for information.
- E. Ernst & Young FY2017 Annual Financial Audit Plan was reviewed by John DiSanto, Executive Director. Mr. DiSanto introduced Russ Jeans, Senior Manager. Mr. DiSanto stated E&Y has added the auditing of the St. Johns River Power Park FY2016 Pension Plan to their portfolio of services provided to JEA. Due to a lack of quorum, this agenda item was received for information and will be brought to the August 15, 2017 Board Meeting for action.

- F. 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.
- G. JEA Commercial Natural Gas Sales – Steve McInall, Director, Electric Production Resource Planning, provided an overview of the Natural Choice Program operated by TECO/Peoples Gas System including the benefits to the community, strengths of the program, historical and projected growth and revenue, Eagle LNG facility, receivables and risk. This presentation was received for information.
- H. Plant Vogtle Update – Steve McInall, Director, Electric Production Resource Planning and Joe Orfano, Treasurer, provided an update on Plant Vogtle including a timeline of recent developments, construction and regulatory update, and various updates on Toshiba and Southern Company. This presentation was received for information.
- 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.
- J. Announcements
 - 1. The next Finance and Audit Committee meeting will be held on December 5, 2017, at 12:00 PM.
- K. Committee Discussion Sessions
 - 1. Ernst & Young – At 9:30 AM, Ms. Flanagan dismissed staff and the Committee held a general conversation with John DiSanto.
 - 2. Director, Audit Services – At 9:38 AM, Ms. Flanagan and the Committee held a general conversation with Steve Tuten, Director, Audit Services.
 - 3. Council Auditor’s Office – The Council Auditor’s Office was not in attendance.

Closing Considerations

With no further business claiming the attention of this Committee, the meeting was declared adjourned at 9:39 AM.

APPROVED BY:

Kelly Flanagan, Committee Chair

Date: _____

Submitted by:

Melissa Charleroy
Executive Assistant

II. A.
Audit Services - Quarterly ERM/Audit Update



Building Community

AGENDA ITEM SUMMARY

November 15, 2017

| | |
|-----------------|---|
| SUBJECT: | AUDIT SERVICES – QUARTERLY ENTERPRISE RISK MANAGEMENT (ERM)/AUDIT UPDATE |
|-----------------|---|

| | | | |
|-----------------|--|--|---|
| Purpose: | <input checked="" type="checkbox"/> Information Only | <input type="checkbox"/> Action Required | <input type="checkbox"/> Advice/Direction |
|-----------------|--|--|---|

Issue: The Quarterly ERM/Audit Update provides the JEA Board of Directors with information on the current Internal Audit, Enterprise Risk Management and Ethics Investigations & Audit activities.

Significance: The Internal Audit Group reviews internal control processes and ensures that departments maintain compliance with all procedures and regulations. JEA's Enterprise Risk Management (ERM) Program identifies, assesses, measures, monitors and actively manages risk. The Ethics Investigations and Audit Group conducts internal investigations of confidential reports into JEA's Ethics Hotline (EHL) and from other sources.

Effect: JEA is able to manage risks and monitor controls, identifying issues to reduce and/or prevent impact to business operations.

Cost or Benefit: The benefits to the organization are seen in risk avoidance or management and the knowledge that the business is in compliance with rules and regulations.

Recommended Board action: No action required. The Quarterly Audit Services Update is for information only.

For additional information, contact: Steven V. Tuten – Director, Audit Services, 904-665-5206

Submitted by: PEM/TEH/SVT



Commitments to Action

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

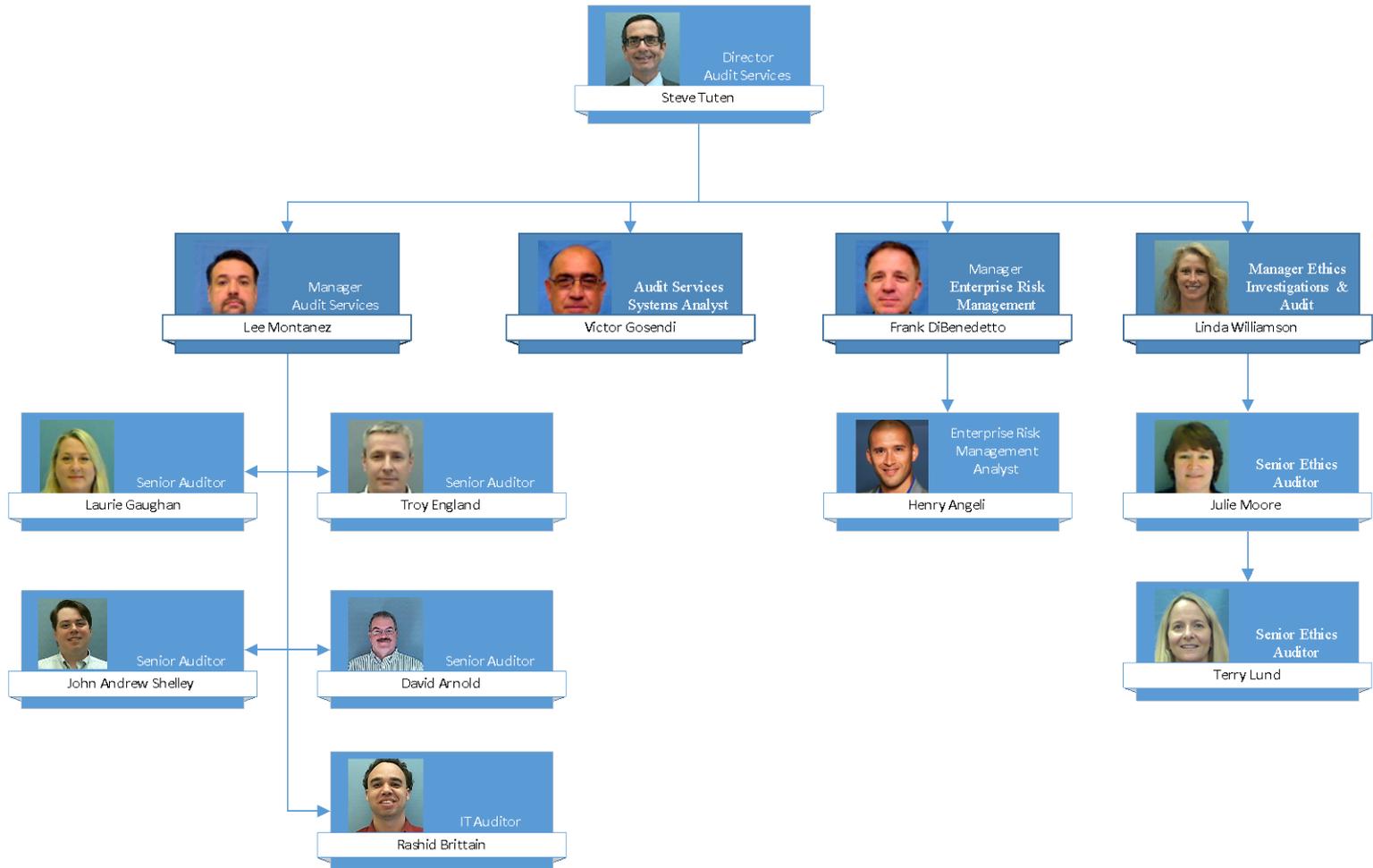
Audit Services Q4 FY17 Report

JEA Finance & Audit Committee
December 5, 2017

Audit Services Q4 FY17 Report – Table of Contents

| <u>Topic</u> | <u>Pages</u> |
|------------------------------------|--------------|
| • Organization Chart | 3 |
| • Internal Audit | 4-7 |
| • Enterprise Risk Management (ERM) | 8-15 |
| • Ethics Investigations & Audit | 16-19 |

Audit Services Organization Chart



Internal Audit Team Highlights

- **FY17 Internal Audit Plan** - We substantially completed our audit plan, although the Senior Auditor open position was not filled until August 2017, and there were delays caused by Hurricanes Matthew and Irma. The current timeline and details regarding the FY17 Plan are shown on page 5.
- **FY18 Internal Audit Plan** - The current timeline and details regarding the FY18 Plan are shown on page 6.
- **Open Audit and Investigation Report Issues** - As of 9/30/17, there were 55 open issues requiring management's corrective action plans. This represents an increase of nine (9) open items since our last report. Again, this was primarily a timing issue due to the recent issuance of several audit reports. See pg. 7 for the distribution of these issues by issue rating and action plan due date.

FY17 Internal Audit Plan – Schedule

| Audit/Project | Auditor-in-Charge | Status | FY 2017 Hours | | | Comments | Final Draft Report Date | Final Report Date (Sent to City) | Audit Report Rating |
|---|--------------------------|---------------------|---------------------------|----------------------|----------------------|---|--|----------------------------------|------------------------------------|
| | | | Budgeted Hours (adjusted) | Actual Hours | Will Meet/Met Budget | | | | |
| Information Security | RB | Final Draft Issued | 500 | 643 | ● | Audit Estimate updated due to Call Center work during Hurricane Matthew. Hours overage due to complex audit report with 18 issues and a "Needs Improvement" rating. | 6/16/2017 | 11/15/17 (est) | Needs Improvement |
| TEA Audit | LG | Completed | 100 | 102 | ● | Audit conducted 11/14-18/16. Nebraska Public Power District (NPPD) led audit. | N/A | N/A | Final report to be issued by NPPD. |
| JEA & SJRPP FY2016 Performance Pay Audit | TE | Completed | 200 | 79 | ● | Memos were issued for JEA and SJRPP Performance Pay reviews. | 11/17/2016 (SJRPP) 11/22/2016 (JEA) | N/A | - |
| Real Estate Services & Revenue Contracts | CP / DA | Final Report Issued | 350 | 132 | ● | Hours for Randstad resource (CP) are not tracked on this spreadsheet. | 5/4/2017 | 10/23/2017 | Satisfactory |
| SJRPP Enviro Engineering & Preventive Maintenance | LG | Final Report Issued | 350 | 348 | ● | | 3/27/2017 | 6/29/2017 | Satisfactory |
| Security | DA / RB | Final Report Issued | DA - 375 RB - 175 | DA - 310 RB - 149 | ● | Estimated due date was not met due to complex workpaper review process. | 5/5/2017 | 8/30/2017 | Satisfactory |
| W/W/W Reuse & Delivery | TE | Final Draft Issued | 440 | 486 | ● | Estimated due date was not met due to complex report issue development. | 8/18/2017 | 11/18/17 (est) | Satisfactory |
| Electric Production CT Operations | LG / RB | Final Report Issued | LG - 400 RB - 68 | LG - 398 RB - 61 | ● | Met hours estimate, first draft slightly delayed. | 7/12/2017 | 10/6/2017 | Satisfactory |
| Meter Operations (formerly Water Meter Services/II) | DA / CP | Final Draft Issued | 450 | 590 | ● | Estimated due date not met due to complex audit and report. | 8/30/2017 | 11/30/17 (est) | Needs Improvement |
| Payroll and Compensation | RB | First Draft Issued | 392 | 439 | ● | Report delayed due to Hurricane Irma | TBD | TBD | Needs Improvement |
| Emergency Preparedness | TE | First Draft Issued | 350 | 249 | ● | Slightly delayed due to Hurricane Irma. | TBD | TBD | Satisfactory |
| Electric Distribution and Construction Maintenance | LG | First Draft Issued | 400 | 387 | ● | Slightly delayed due to Hurricane Irma. | TBD | TBD | Satisfactory |
| P-Card follow-up | DA | First Draft Issued | 300 | 156 | ● | Met hours and first draft date estimate | TBD | TBD | Satisfactory |
| Safety and Health | DA | Reporting | 300 | 227 | ● | Slightly delayed due to Hurricane Irma. | | | |
| Customer Revenue - Branch (2) | RB | Reporting | 300 | 247 | ● | Slightly delayed due to Hurricane Irma. | | | |
| Permitting and Regulatory Conformance | TE / Andrew Shelley (AS) | Testing | 400 | 134 | ● | | | | |
| New Auditor Training | AS | Ongoing | 250 | 83 | ● | | | | |
| FY2017 Action Plan Follow-Up | All Staff | Ongoing | 400 | 528 | ● | Additional work related to migration of action plans to Auto Audit. | | | |
| FY2018 Annual Risk Assessments | All Staff | Completed | 300 | 209 | ● | | | | |

** In addition, four FY16 audits (Disaster Recovery, Distribution, Development and Joint Projects, Facilities Management and System Protection and Controls) were completed in 2017. Final reports were issued for the four areas, with three rated as "Satisfactory", and Disaster Recovery rated as "Needs Improvement".

Notes:

- (1) CEO request to audit both electric and water meters.
- (2) Replaces Receivables and Collections audit due to Director's request.

| | |
|---|--|
| ● | Audit will be/has been completed within estimated hours and due date. |
| ● | Audit will be/has been completed slightly above estimated hours and due date. <i>(No more than a 10% variance)</i> |
| ● | Audit will be/has been completed significantly above estimated hours and due date. |



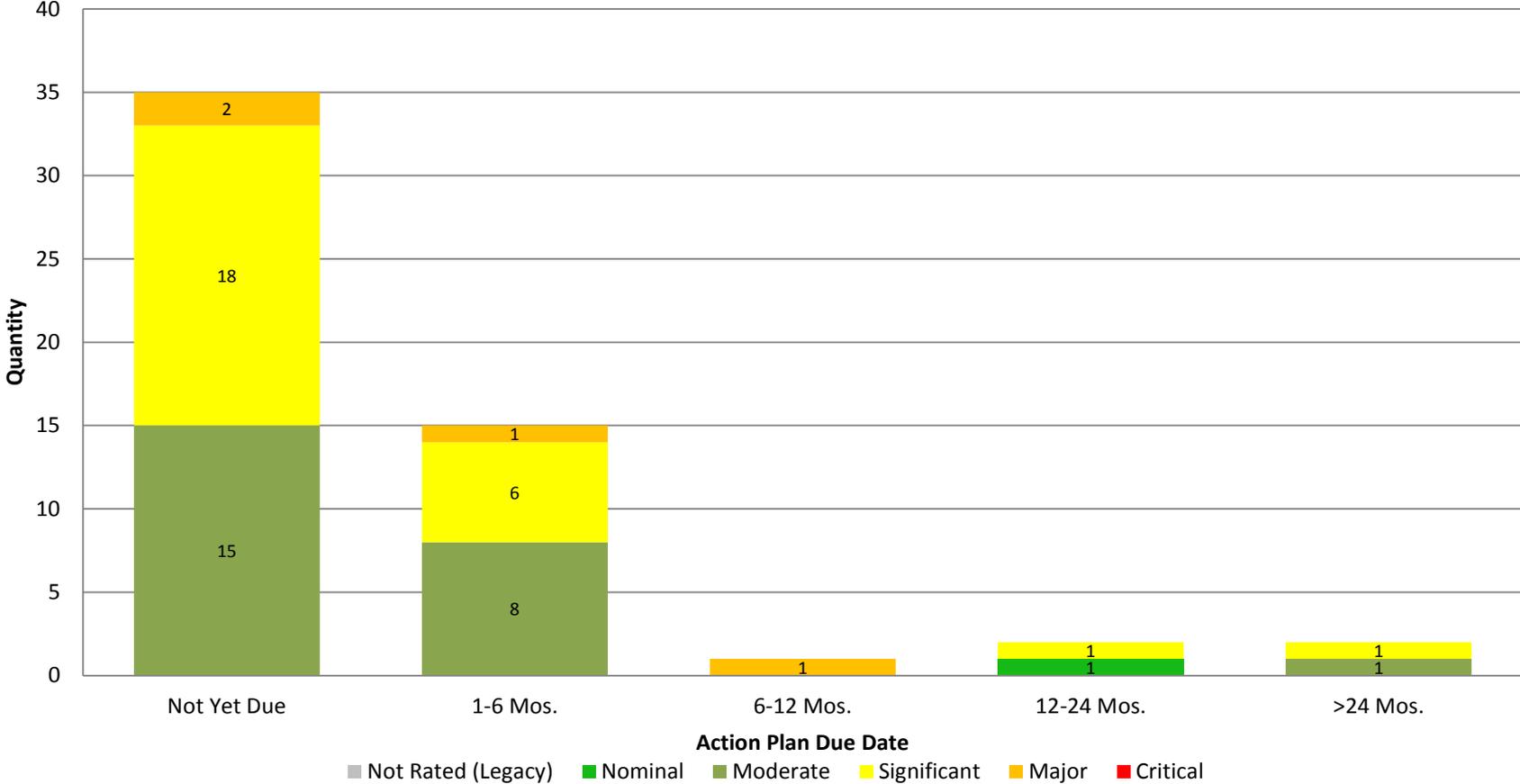
FY18 Internal Audit Plan – Schedule

| Audit/Project | Auditor-in-Charge | Planning Memo Date | Status | FY 2018 Hours | | | Comments | Final Draft Report Date | Final Report Date (Sent to City) | Audit Report Rating |
|---|--|--------------------|-------------|---------------------------|--------------|----------------------|----------|-------------------------|----------------------------------|---------------------|
| | | | | Budgeted Hours (adjusted) | Actual Hours | Will Meet/Met Budget | | | | |
| JE/SJRPP Performance Pay Audit | Troy England (TE) | N/A | Testing | 200 | 39 | ● | | | | |
| TEA Audit | Laurie Gaughan (LG) / Rashid Brittain (RB) | N/A | Testing | 300 | 36 | ● | | | | |
| Personnel Out Process (POP) | David Arnold (DA) | TBD | Planning | 300 | 5 | ● | | | | |
| W/W Project Engineering & Construction | TE/Andrew Shelley (AS) | TBD | Planning | 500 | 80 | ● | | | | |
| T&D Electric Transmission Planning | LG | TBD | Planning | 450 | 63 | ● | | | | |
| Disaster Recovery Follow-Up | RB | | Not Started | 250 | | | | | | |
| Customer Experience Centers | DA | | Not Started | 400 | | | | | | |
| Telecommunications & Support | RB | | Not Started | 450 | | | | | | |
| Utility Locate Services/3rd. Party Claims | TE | | Not Started | 350 | | | | | | |
| Benefit Services | AS | | Not Started | 350 | | | | | | |
| Transmission and Substation Maintenance | LG | | Not Started | 450 | | | | | | |
| Tax Administration | DA | | Not Started | 300 | | | | | | |
| Technology Infrastructure | RB | | Not Started | 500 | | | | | | |
| Response & Environmental Programs | TE | | Not Started | 350 | | | | | | |
| W/W Reuse and Treatment | AS | | Not Started | 400 | | | | | | |
| Electric Production Engineering and Outages | LG | | Not Started | 450 | | | | | | |
| Meter Operations Follow-Up | DA | | Not Started | 275 | | | | | | |
| Information Security Follow-Up | RB | | Not Started | 275 | | | | | | |
| New Auditor Training | AS | | Ongoing | 150 | 76 | ● | | | | |
| FY2018 Action Plan Follow-Up | All Staff | | Ongoing | 625 | 128 | ● | | | | |
| FY2019 Annual Risk Assessments | All Staff | | Not Started | 300 | 0 | ● | | | | |

| | |
|---|--|
| ● | Audit will be/has been completed within estimated hours and due date. |
| ● | Audit will be/has been completed slightly above estimated hours and due date. <i>(No more than a 10% variance)</i> |
| ● | Audit will be/has been completed significantly above estimated hours and due date. |

Open Audit and Investigation Report Issues

Open Action Plan (55) by Issue Rating and Action Plan Due Date



ERM Corporate Risk Heat Map

| | |
|----------------------------|--------------|
| Top Corporate Risks | Score |
| Tier 1 (See p. 10) | 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 which helps us evaluate the criticality of the risks and the need for mitigation.

ERM - Tier 1 Top Corporate Risk Trends (Q4 FY17)

| Risk 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 | FY14 | | | | FY15 | | | | FY16 | | | | FY17 | | | | Long Term Risk Exposure Trend (> 5 Years) | Change |
|---|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|---|--------|
| | Q1 | Q2 | Q3 | Q4 | | |
| Electric Risks | | | | | | | | | | | | | | | | | | |
| E01 - Carbon Emission Mitigation | 20 | 20 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 20 | 15 | ↔ Stable | X |
| E04 - Adverse Electric Commodity Supply and Pricing | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | ↔ Stable | |
| E03 - Coal Combustion Residual Rule (CCR) | 15 | 15 | 15 | 15 | 15 | 15 | 10 | 10 | 10 | 10 | 10 | 10 | 15 | 15 | 15 | 15 | ↔ Stable | |
| E05 - Cooling Water Intake Structures 316(b) | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 20 | 20 | 20 | 20 | ↔ Stable | |
| E06 - Long-term Planning/Load Forecast - Electric | 6 | 6 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | ↑ Increasing | |
| E07 - 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 | | | | | | | | | | | | | | | | | | |
| W01 - Water Supply Management/Long Term Planning | 12 | 12 | 12 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | ↑ Increasing | |
| W03 - Sanitary Sewer Overflow Management | 6 | 6 | 6 | 6 | 6 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 12 | 12 | 12 | 12 | ↓ Decreasing | |
| Corporate Wide Risks | | | | | | | | | | | | | | | | | | |
| H01 - Pensions | 16 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 16 | 16 | ↔ Stable | |
| F01 - Revenues and Expenses Management | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | ↑ Increasing | |
| C01 - Customer Relationship Management | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | ↔ Stable | |
| C02 - Physical Security (Facilities Infrastructure Security and Regulatory Compliance) | 9 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | ↑ Increasing | |
| C03 - New Technology | | | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | ↑ Increasing | |
| C16 - Weather & Climate Change Impact | | | | | | | | | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | ↑ Increasing | |

These risks pose the greatest potential impacts to JEA. Most are due to external factors including economic factors, inherent risk and/or increased regulatory requirements



ERM – Top Corporate Risk Score Changes

| <u>Risk Name</u> | <u>Impact</u> | <u>Likeli- hood</u> | <u>Total Score</u> | <u>Reason(s) for Change</u> |
|-----------------------------------|---------------|-------------------------|------------------------|--|
| Carbon Emission Mitigation | 5 | 3 | 15 | <ul style="list-style-type: none"> We continue to monitor activities at the EPA and the Courts relating to changes to the rule. Although some form of CO2 emission reduction requirements is expected, the level of reduction may be less stringent and/or the timeframe for compliance extended. The decommissioning of SJRPP further reduces JEA’s carbon footprint. Any new generation would have lower CO2 emission rates. Regardless of any future CO2 regulations (e.g. CPP), current market conditions continue to support use of natural gas which further reduces CO2 emissions. <p>The risk score was changed from a 5/4 to a 5/3. Although the decommissioning of SJRPP reduces the overall costs, the cost of compliance would still exceed \$100M. However, based on the lower probability of a comprehensive rule being enacted within the foreseeable future (5 year time period), the likelihood risk score was lowered.</p> |

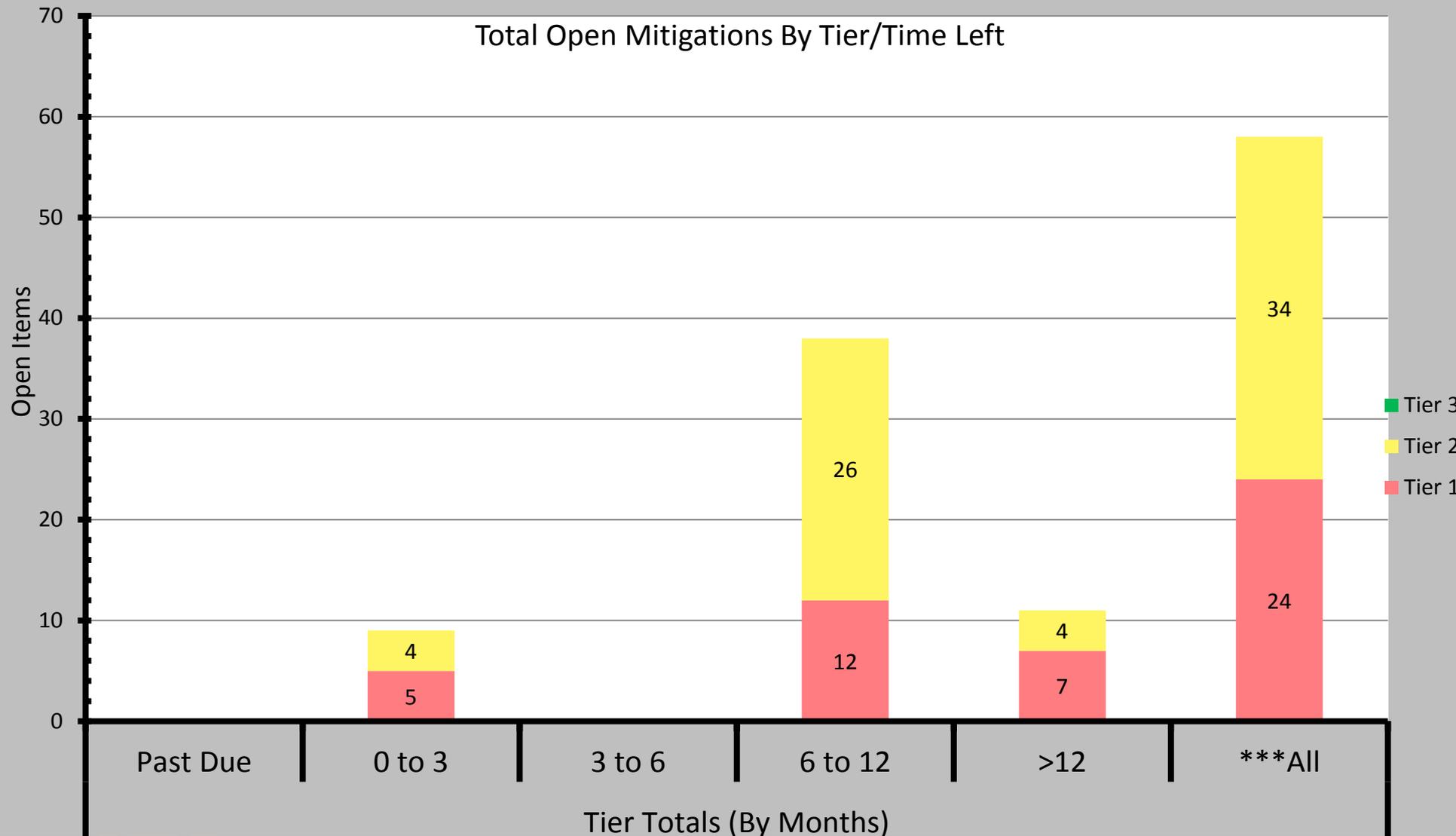
ERM – Tier 2 Top Corporate Risk Trends (Q4 FY17)

| Risk 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 | FY14 | | | | FY15 | | | | FY16 | | | | FY17 | | | | Long Term Risk Exposure Trend (> 5 Years) | Change |
|--|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|---|--------|
| | Q1 | Q2 | Q3 | Q4 | | |
| Electric Risks | | | | | | | | | | | | | | | | | | |
| E02 - Effluent Limitation Guidelines | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 20 | 20 | 15 | 8 | 8 | ↔ Stable | |
| E09 - FERC/NERC (Section 693) O&P Reliability & Compliance | 9 | 9 | 9 | 8 | 8 | 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 | 9 | 8 | ↑ Increasing | |
| E08 - SJRPP | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 6 | 6 | ↓ Decreasing | |
| E11 - Infrastructure Maintenance - Electric Systems Assets | 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 | 6 | 6 | 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 | ↔ Stable | |
| E13 - Infrastructure Destruction Due to Severe Weather | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | ↔ Stable | |
| Water/Wastewater Risks | | | | | | | | | | | | | | | | | | |
| W02 - Operations Technology Management - Water/Wastewater Systems | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | ↔ Stable | |
| W04 - Infrastructure Maintenance - Water/Waste Water Systems | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | ↔ Stable | |
| Corporate Wide Risks | | | | | | | | | | | | | | | | | | |
| C05 - Records Management | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | ↔ Stable | |
| C06 - Fraud Risk Management | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | ↑ Increasing | |
| T02 - Cyber Security Information Protection | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | ↑ Increasing | |
| H02 - Staffing | 12 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | ↔ Stable | |
| H03 - Public and Employee Safety | 6 | 6 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | ↔ Stable | |
| T01 - Technology Infrastructure Reliability | 12 | 12 | 12 | 12 | 12 | 4 | 4 | 4 | 4 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | ↔ Stable | |
| T03 - Cyber Security Business Disruption | | | | | | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | ↑ Increasing | |
| T04 - Technology Services Disaster Recovery/Business Continuity | | | | | | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | ↔ Stable | |
| T05 - Technology Services Resource Optimization | | | | | | | | | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | ↑ Increasing | |
| C07 - Disaster Recovery/Business Continuity | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | ↔ Stable | |
| C08 - Black Swan (High Impact - Low probability event) | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | ↔ Stable | |
| F03 - Credit Availability/Cost | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | ↔ Stable | |
| C09 - Other Regulatory Compliance | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | ↔ Stable | |
| F04 - Counterparty Risk | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | ↔ Stable | |
| C04 - External Influence on Policy | 9 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | ↔ Stable | |
| W06 - Water Quality Management | | | | | | | | | | 8 | 8 | 8 | 8 | 8 | 8 | 8 | ↔ Stable | |

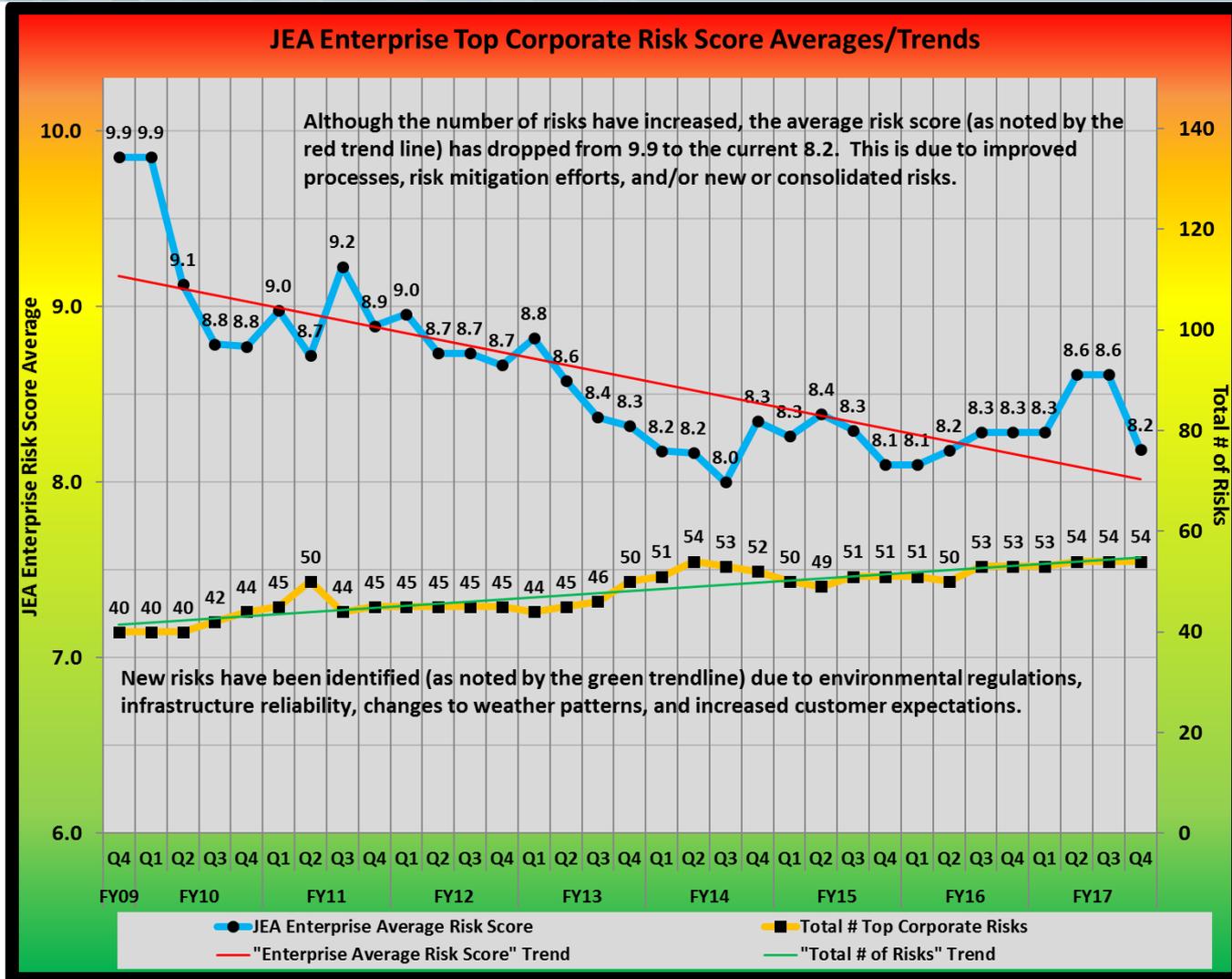


These risks are primarily operational in nature. Although the impact can still be significant, JEA has more flexibility in mitigating the risks.

ERM – Open Mitigations – Tier and Timeframe

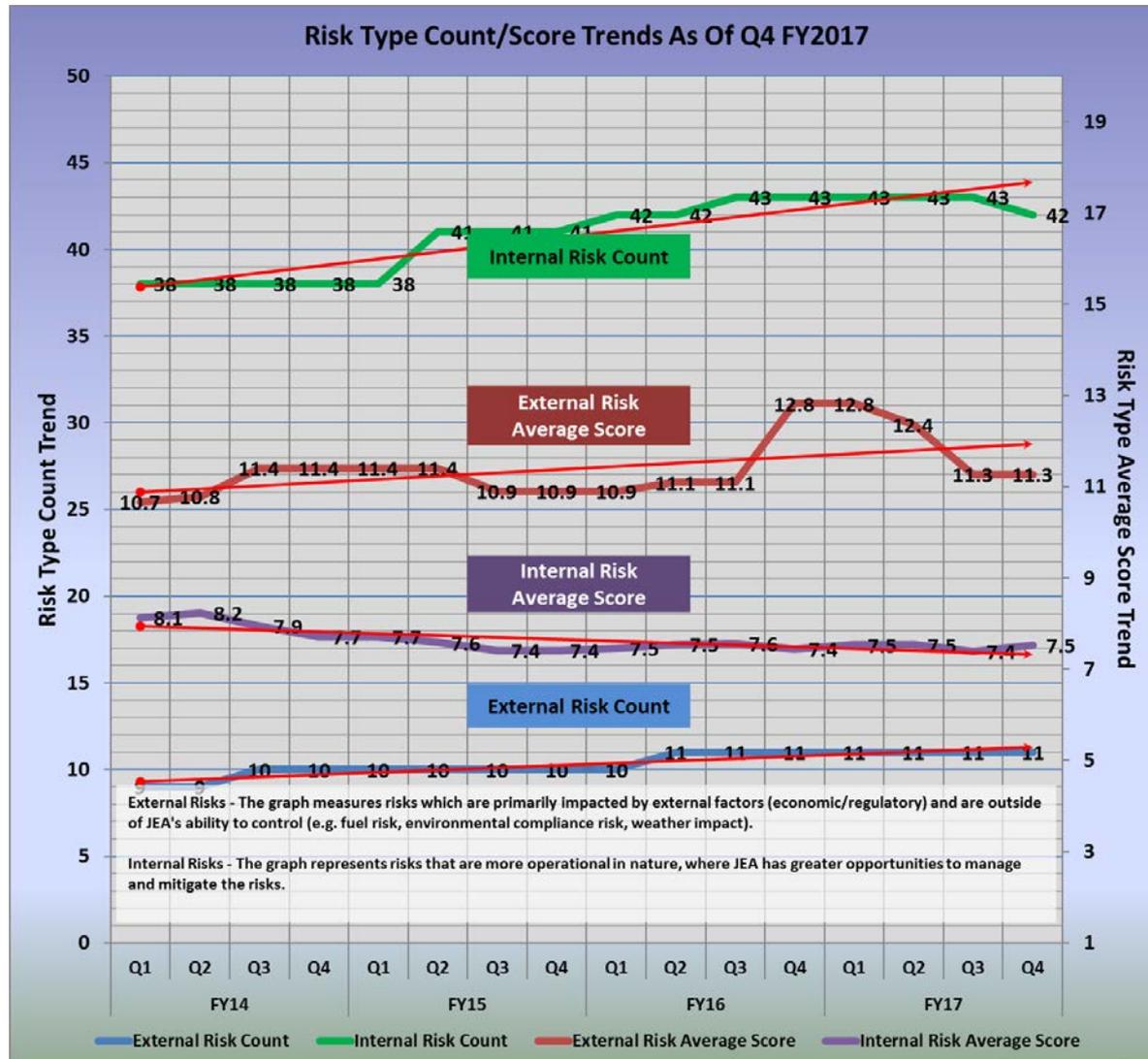


ERM – Top Corporate Risk Score Trends



The number of risks reflected for each quarter are the number of Top Corporate Risks (Tiers 1-3) that existed at that time. The trending report may not reflect a corresponding number of risks due to their being either reclassified as Tier 3 risks, consolidated into other risks, and/or eliminated.

ERM – Top Corporate Risk Type Trends



ERM – Current Projects

| INITIATIVE | PROJECT SCOPE | STATUS |
|---|--|---|
| District Energy (DE) Risks | Performing a risk assessment of the District Energy business with the focus on reliability, environmental compliance, and reputational impact in the event of a loss risk of services to our major customers (i.e., stadium, hospitals). | <ul style="list-style-type: none"> Initial risk assessment completed New manager is in the process of confirming noted gaps and developing mitigation plans. |
| Employee Safety | In conjunction with Internal Audit , working with Safety areas to enhance Employee Safety, including assessing the adequacy of current processes and validate compliance. | <ul style="list-style-type: none"> In progress |
| Expanding Corporate Risk Culture Awareness | We continue to train employees on risk management principals, as well as skills to identify, evaluate and mitigate risks within their own business functions. Class is mandatory for all appointed staff with all managers/directors, but open to all. | <ul style="list-style-type: none"> 110 employees trained to date. Initiative to expand required training to all appointed employees (approx., 258) and include fraud awareness and detection skills. |
| HIPAA Risk Assessment | In conjunction with business functions and TS, we are conducting a risk assessment of JEA's HIPAA requirements. | <ul style="list-style-type: none"> Consideration is being given to hiring a consultant to validate the risk assessment, identify gaps and provide recommendations to enhance compliance. |
| Information Security Governance | Information Security Governance Committee established to coordinate efforts across the enterprise in enhancing cyber security standards, policies and procedures. | <ul style="list-style-type: none"> In progress and ongoing. |
| Records Management | In conjunction with the Records Management area, working to enhance records management, including assessing the adequacy of current processes, and validate compliance. | <ul style="list-style-type: none"> In progress. |
| Risk Validation/ Key Risk Indicators (KRI) | A pilot is underway to identify KRIs to validate the effectiveness of current and/or open mitigations/controls and risk scores in managing risk exposure. | <ul style="list-style-type: none"> Assessing workflow simplification options. |
| Supply Chain Risk Management | Working with Procurement, CIP Compliance and Financial Services to develop a process to evaluate counterparties both on financial stability (i.e. credit risk), potential disruption of services, and vendor misconduct which can impact JEA. | <ul style="list-style-type: none"> Identifying risk criteria/risk tolerances Aligning current vendors to risk criteria Expanded to include Cyber Security risks. |
| Talking Points | In conjunction with the External Affairs group and risk owners, developing consistent talking points for our external stakeholders (i.e. media, COJ, public). | <ul style="list-style-type: none"> Completed. |
| Terrorism | In conjunction with Security Services, assessing the potential for terrorism risk to JEA in relation to potential impacts and identifying any significant gaps that require remediation. | <ul style="list-style-type: none"> Director of Security is assessing the risks and will be presenting the summary at a future ECRC meeting. |

Ethics Hotline (EHL) Case Statistics – 4Q FY17

| Open Cases 7/1/2017 | Cases Opened 4Q FY17 | Cases Closed 4Q FY17 | Open Cases 9/30/2017 |
|------------------------|-------------------------|-------------------------|-------------------------|
| 17 | 5 | 8 | 14 |

| Categories For Cases Opened During 4Q FY17 | |
|--|---|
| General Inquiries | 2 |
| Discrimination/Harassment | 1 |
| Fraud/Waste/Abuse | 1 |
| Regulatory/Environmental | 1 |
| Total | 5 |

Summary of Closed EHL Cases - 4Q FY17

| Reporting Source | Allegation | Investigation Results |
|------------------|---|--|
| EHL | <p>JEA-16-12-0002 – An anonymous caller alleged a JEA Manager falsified timesheets, submitted personal mileage as business for a vehicle allowance, and intentionally scheduled meetings off-site to use the mileage allotted for the vehicle allowance. Also, the caller alleged the Manager had a short temper at times and bad-mouthed subordinate employees around their co-workers and other employees. It was the caller's understanding the Manager's suspicious work habits were previously reported, but the behavior continued.</p> | <p>The allegations related to the manager's timesheets and vehicle mileage allowance were previously reported and investigated. We determined the manager's supervisor allowed the manager to flex time and work from home, thus actual time worked could not be substantiated. Our review of the manager's recent submission of JEA's vehicle allowance survey determined five of the claimed mileage events did not occur; however, the manager's vehicle allowance threshold was met, even with the deduction of these miles. Because of the manager's wide range of business appointments, it could not be confirmed that scheduled off-site meetings were intentionally set to use the mileage allotted for the allowance. Both of the issues resulted in opportunities for improvement, of which feedback was provided to management.</p> <p>We did not find evidence to confirm or deny the allegation the manager bad-mouthed employees or had a short temper; however, our review revealed excessive personal use of JEA's email account and internet service. Also, there was evidence the manager was operating three private business ventures. The manager's employment with JEA has since been terminated.</p> |
| Internal | <p>JEA-17-02-0001 – A JEA manager requested confirmation that a JEA Employee had reported secondary employment.</p> | <p>We determined the employee in question was performing work for another company; however, there was no evidence the employee was using JEA resources to perform work on the secondary business. A fact-finding meeting revealed the employee had completed a Secondary Employment Form, but the form was not approved by the employee's director because of possible conflicts of interest with the employee's JEA position. The JEA Ethics Officer recommended the employee resubmit a separate application for secondary employment for only those areas of practice that were not in conflict with the employee's current position.</p> |
| EHL | <p>JEA-17-02-0003 – An anonymous caller reported a JEA manager had been slandering the caller's name.</p> | <p>Based on a review of the manager's JEA emails and available on-line social media data, there was no evidence to substantiate allegation of slander.</p> |

Summary of Closed EHL Cases - 4Q FY17 (cont.)

| Reporting Source | Allegation | Investigation Results |
|------------------|--|---|
| Internal | JEA-17-02-0005 – A JEA employee reported experiencing hostile and intimidating behavior by a manager. | A joint investigation with Labor Relations determined both the manager and employee exhibited unprofessional conduct, and both were issued Letters of Counseling. |
| EHL | JEA-17-03-0005 – A caller reported a JEA Employee was discussing confidential employee issues with individuals outside of the company. | Based on the limited information provided by the caller, we were unable to complete a full investigation into the caller's claims. Multiple unsuccessful attempts were made to reach out to the complainant to obtain additional information. Also, a check with Labor Relations did not result in any additional information to proceed with the investigation. Therefore the case was closed. |
| EHL | JEA-17-06-0001 – An anonymous caller alleged an employee on the elevator made a comment that made the caller feel uncomfortable. | The information provided by the complainant did not contain enough detail to locate evidence to confirm or deny the allegation. Attempts were made to reach out to the caller to help identify the individual on the elevator; however, the complainant never checked back with the hotline to receive our request for information. Therefore the case was closed. |

Summary of Closed EHL Cases - 4Q FY17 (concl.)

| Reporting Source | Allegation | Investigation Results |
|------------------|--|--|
| EHL | JEA-17-06-0002 – The complainant alleged a JEA manager may be having inappropriate relationships with several other JEA employees. In addition, the caller witnessed the manager dropping off another JEA management team employee one morning with an overnight bag in the employee’s hand. The caller also alleged this employee may have obtained the management position because of the relationship with the manager. | We performed a review and found the JEA manager did drop off another management employee one morning at the JEA workplace. Our investigation did not find evidence of a personal romantic relationship with this individual or any of the employees alleged in the complaint. Also, there was no evidence to substantiate the claim that the management employee obtained the position because of the relationship with the manager. The evidence pointed to a business relationship rather than a romantic one. |
| EHL | JEA-17-07-0001 – The caller reported a hostile work environment as a result of a JEA manager’s derogatory and racially offensive comments. | Because this case dealt with possible discrimination and workplace harassment, it was referred to Labor Relations. Their investigation and report concluded the allegation had merit, and the manager would be removed from the management position and relocated to another JEA facility. |

II. B.
Ethics Officer Quarterly Report



Building Community

AGENDA ITEM SUMMARY

November 13, 2017

| | |
|-----------------|--|
| SUBJECT: | ETHICS OFFICER QUARTERLY REPORT |
|-----------------|--|

| | | | |
|-----------------|--|--|---|
| Purpose: | <input checked="" type="checkbox"/> Information Only | <input type="checkbox"/> Action Required | <input type="checkbox"/> Advice/Direction |
|-----------------|--|--|---|

Issue: The Ethics Officer Quarterly Report provides the JEA Board of Directors with information on the current ethics inquiries, hotline activity and training.

Significance: JEA's Ethics Officer ensures information is shared and advice given regarding issues and questions.

Effect: JEA is able to manage ethical concerns for the organization, ensuring compliance with business and governmental regulations.

Cost or Benefit: JEA fosters an environment that ensures ethical behaviors.

Recommended Board action: This item is for information only.

For additional information, contact: Walette Stanford, 904-665-4282

Submitted by: PEM/ARH/WMS

| | | |
|---|--|--|
| 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• Growth?• Accountability• Integrity |
|---|--|--|

Commitments to Action

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

JEA

Ethics Officer Report

December 5, 2017

Creating an Ethical Culture

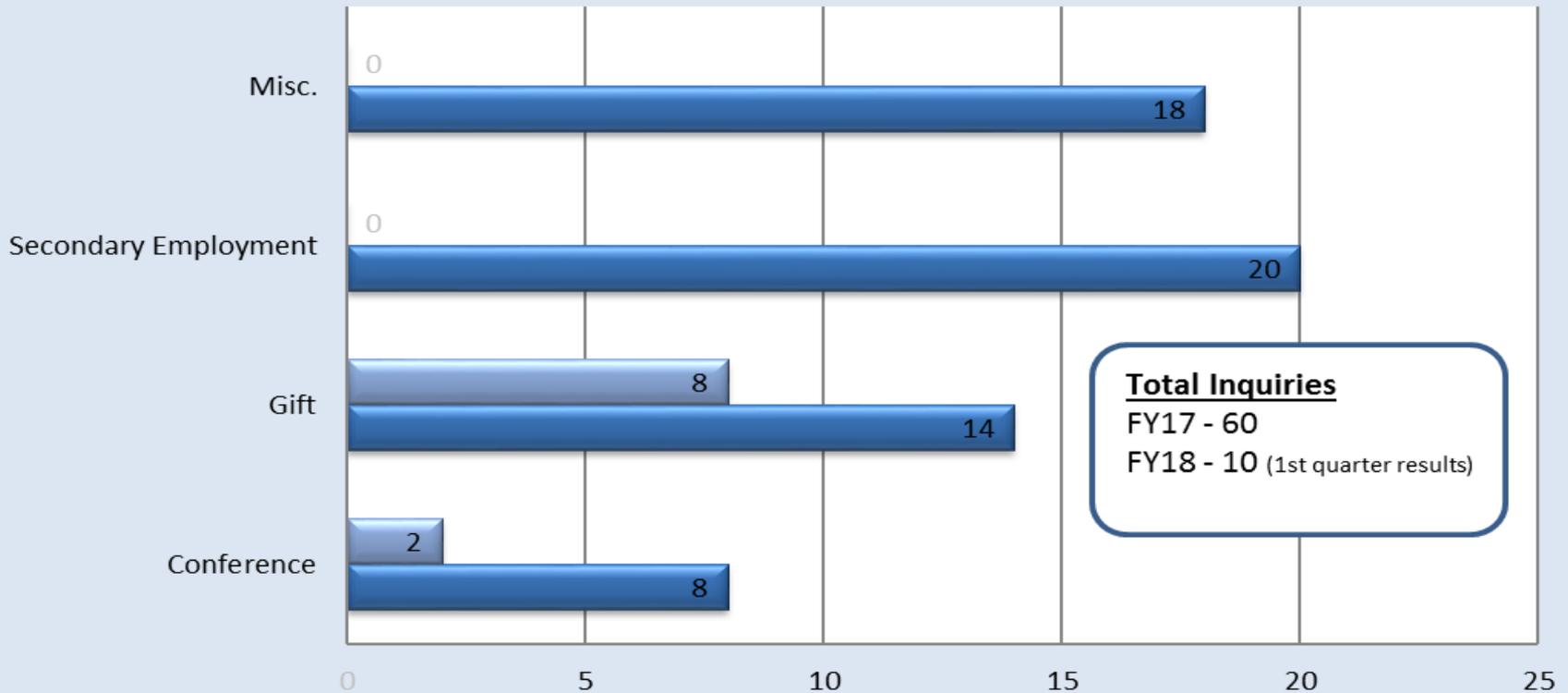
JEA will conduct its business fairly, impartially, in an ethical and proper manner, and in full compliance with all applicable laws and regulations.

Walette Stanford, Ethics Officer
JEA/SJRPP



FY 17/FY18 Comparisons

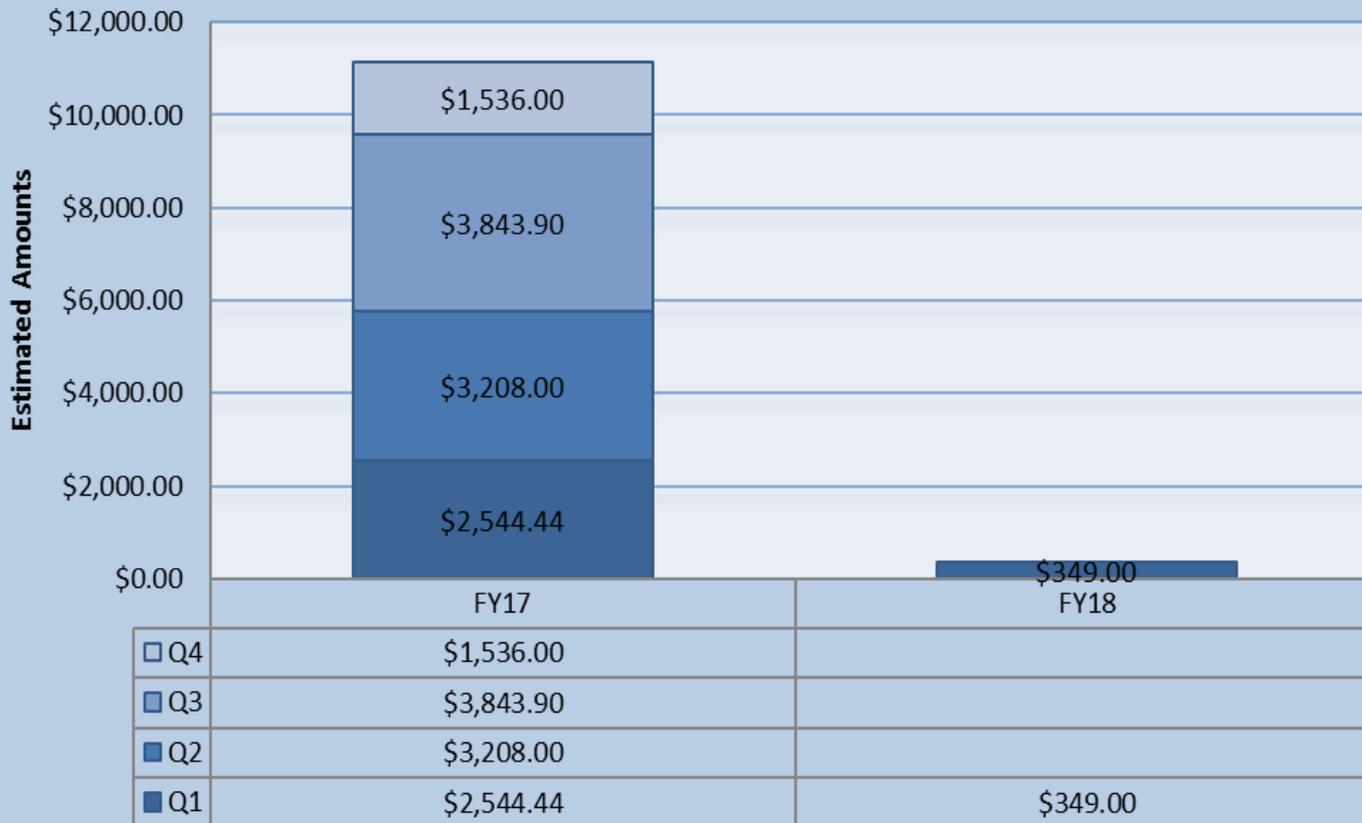
Ethics Inquiries Comparison FY17/FY18



| | Conference | Gift | Secondary Employment | Misc. |
|------|------------|------|----------------------|-------|
| FY18 | 2 | 8 | 0 | 0 |
| FY17 | 8 | 14 | 20 | 18 |

FY17/FY18 Gift Registry

FY17/FY18 Gift Registry Estimates Comparison Per Quarter



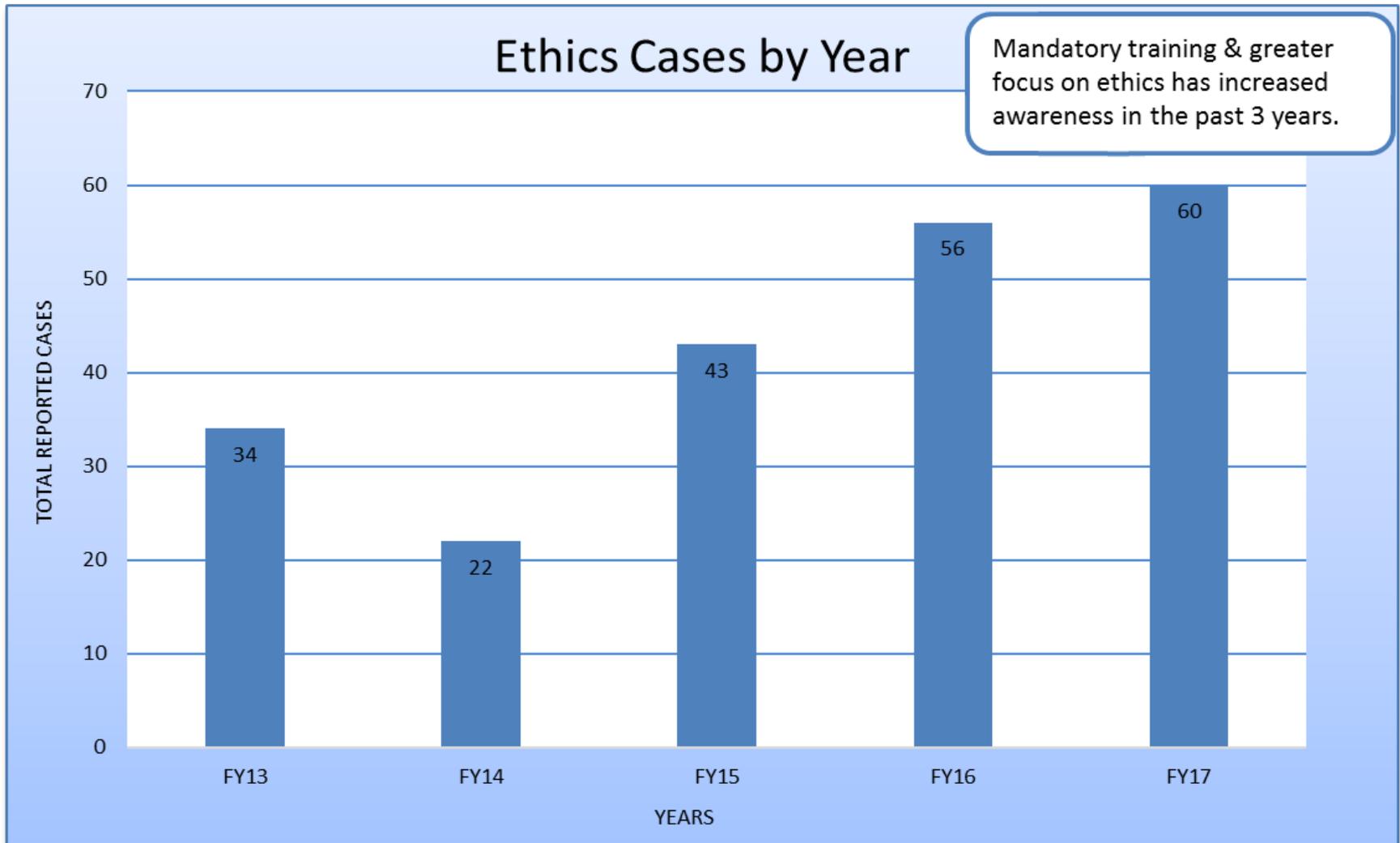
Food Items: Lunch voucher, popcorn; Sweet Pete candy basket, mixed nuts, Peterbrooke's popcorn

Promotional items: Calendar, travel blanket & luggage set; gift basket

Misc: travel bag, Yeti tumbler, canvas tote bag, flashlight; Publix gift card, ornament

*FY18 Q1 value is from data 37 days into the quarter.

Ethics Officer Cases - Five Years in Review



Business Ethics Update and What's Next

- Preparing the company-wide Ethics training for March 2018 with Employee and Leadership Development team.
- Revamping the Ethics New Employee Orientation training Computer Based Training (CBT)
- Updating the “Ethics Coordination Council” citywide Ethics plan (JEA section only).



II. C. 1.

Electric System and Water and Sewer System Reserve Fund Quarterly Report



Building Community
AGENDA ITEM SUMMARY

November 13, 2017

| | |
|-----------------|---|
| SUBJECT: | ELECTRIC SYSTEM AND WATER AND SEWER SYSTEM RESERVE FUND QUARTERLY REPORT |
|-----------------|---|

| | | | |
|-----------------|--|--|---|
| Purpose: | <input checked="" type="checkbox"/> Information Only | <input type="checkbox"/> Action Required | <input type="checkbox"/> Advice/Direction |
|-----------------|--|--|---|

Issue: Electric System and Water and Sewer System Reserve Fund Quarterly Report as of September 30, 2017. This report is provided for transparency into JEA’s reserve fund accounts and various cash balances.

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
• 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 13, 2017

**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
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, 2017.

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, 2017

(In Thousands of Dollars)

| Electric System | Fiscal Year | Detail |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------|
| | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | |
| Unrestricted | | | | | | |
| Operations/Revenue Fund | \$ 43,178 | \$ 46,624 | \$ 56,665 | \$ 54,815 | \$ 47,126 | |
| Debt Management Strategy Reserve | - | - | - | - | - | 3 |
| Self Insurance Reserve Fund | | | | | | |
| • Property | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 4 |
| • Employee health insurance | 10,749 | 10,937 | 11,179 | 9,214 | 9,214 | 5 |
| Rate Stabilization | | | | | | |
| • Fuel | 105,457 | 150,742 | 180,115 | 131,716 | 98,916 | 6 |
| • DSM/conservation | 3,570 | 2,886 | 3,515 | 3,695 | 3,079 | 7 |
| • Environmental | 16,639 | 23,430 | 29,975 | 36,417 | 42,308 | 8 |
| • Debt Management | 42,126 | 42,126 | 42,126 | 29,884 | 29,884 | 9 |
| • Non-Fuel Purchased Power | 12,000 | 38,000 | 34,400 | 25,189 | 13,444 | 10 |
| Environmental | 18,662 | 18,662 | 18,556 | 18,556 | 18,556 | 11 |
| Customer Deposits | 42,688 | 42,389 | 41,084 | 42,105 | 42,105 | 12 |
| Total Unrestricted | 305,069 | 385,796 | 427,615 | 361,590 | 314,631 | |
| Days of Cash on Hand (2) | 166 | 225 | 270 | 234 | 198 | |
| Restricted | | | | | | |
| Debt Service Funds (Sinking Funds) | 120,458 | 134,927 | 136,232 | 167,087 | 160,067 | 13 |
| Debt Service Reserve Funds | 64,841 | 64,595 | 60,582 | 60,582 | 60,582 | 14 |
| Renewal and Replacement Funds/OCO (3) | 146,910 | 145,711 | 192,179 | 201,368 | 183,400 | 15 |
| Construction Funds | 42 | - | - | - | - | 16 |
| Total Restricted | 332,251 | 345,233 | 388,993 | 429,037 | 404,049 | |
| Total Electric System | \$ 637,320 | \$ 731,029 | \$ 816,608 | \$ 790,627 | \$ 718,680 | |
| <hr/> | | | | | | |
| Water and Sewer System | | | | | | |
| Unrestricted | | | | | | |
| Operations/Revenue Fund | \$ 9,227 | \$ 22,588 | \$ 42,948 | \$ 69,199 | \$ 41,480 | |
| Debt Management Strategy Reserve | 304 | - | - | - | - | 17 |
| Rate Stabilization | | | | | | |
| • Debt Management | 20,291 | 20,290 | 20,290 | 14,209 | 14,209 | 18 |
| • Environmental | | | 1,699 | 5,214 | 5,214 | 19 |
| Customer Deposit | 12,787 | 13,255 | 13,910 | 15,086 | 15,086 | 20 |
| Total Unrestricted | 42,609 | 56,133 | 78,847 | 103,708 | 75,989 | |
| Days of Cash on Hand (2) | 438 | 466 | 528 | 496 | 407 | |
| Restricted | | | | | | |
| Debt Service Funds (Sinking Funds) | 75,019 | 67,720 | 65,410 | 82,208 | 82,397 | 21 |
| Debt Service Reserve Funds | 116,829 | 108,849 | 108,086 | 107,488 | 105,574 | 22 |
| Renewal and Replacement Funds | | | | | | |
| • R&R/OCO (4) | 59,295 | 37,337 | 76,020 | 54,699 | 72,776 | 23 |
| • Capacity Fees/State Revolving Loans | 76,887 | 90,912 | 103,411 | 95,620 | 55,673 | 24 |
| • Environmental | 5,299 | 19,245 | 2,659 | 1,839 | 1,839 | 25 |
| Construction Funds | 326 | 664 | 152 | 15 | - | 26 |
| Total Restricted | 333,655 | 324,727 | 355,738 | 341,869 | 318,259 | |
| Total Water & Sewer System | \$ 376,264 | \$ 380,860 | \$ 434,585 | \$ 445,577 | \$ 394,248 | |

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

(2) Days of Cash on Hand includes R&R Fund in the cash balances, and includes the Contribution to the City of Jacksonville General Fund with the Operating Expenses net of Depreciation.

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

(4) 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, 2017

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 09/30/2017 | | Full Year | | | Projection | | |
|-----------------------|-------------------------|---------------|---------------|-------------|-------------------|------------|------|------|
| | Current Quarter | Year -to-Date | 2017 Forecast | 2017 Budget | Prior Year Actual | 2018 | 2019 | 2020 |
| <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 | | | |
|-----------------|------------|-----------|------|------|------|-------------|--------|----------|-----------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | Low | Median | Mean | High |
| Opening Balance | \$ 12,257 | \$ 12,257 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,903 | \$ 12,257 |
| Additions: | | | | | | | | | |
| Contributions | - | - | - | - | - | - | - | - | - |
| Sub-total | \$ - | \$ - | \$ - | \$ - | \$ - | - | - | - | - |
| Withdrawals | - | 12,257 | - | - | - | - | 6,129 | 6,129 | 12,257 |
| Sub-total | \$ - | \$ 12,257 | \$ - | \$ - | \$ - | - | - | - | - |
| Ending balance | \$ 12,257 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,451 | \$ 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, 2017

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.

| <i>(In Thousands)</i> | Actual as of 09/30/2017 | | Full Year | | | Projection | | |
|-----------------------|-------------------------|---------------|------------------|----------------|----------------------|-------------|-------------|-------------|
| | Current Quarter | Year -to-Date | 2017 Forecast | 2017 Budget | Prior Year Actual | <u>2018</u> | <u>2019</u> | <u>2020</u> |
| 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 | | | |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------|-----------|-----------|
| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | Low | Median | Mean | High |
| Opening Balance | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 |
| Additions: | | | | | | | | | |
| Reserve Contribution | | | | | | - | - | - | - |
| Sub-total | \$ - | \$ - | \$ - | \$ - | \$ - | - | - | - | - |
| 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, 2017

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 09/30/2017 | | Full Year | | | Projection | | |
|-------------------------------|-------------------------|---------------|------------------|----------------|----------------------|-------------|-------------|-------------|
| | Current Quarter | Year -to-Date | 2017 Forecast | 2017 Budget | Prior Year Actual | <u>2018</u> | <u>2019</u> | <u>2020</u> |
| Opening Balance | \$ 10,027 | \$ 11,179 | \$ 11,179 | N/A | \$ 10,937 | \$ 9,214 | \$ 9,214 | \$ 9,214 |
| Additions: | | | | | | | | |
| Employee Contributions | 1,496 | 5,862 | 5,862 | N/A | 5,460 | 6,155 | 6,463 | 6,786 |
| Retiree & Other Contributions | 1,376 | 6,443 | 6,443 | | 5,694 | 6,830 | 7,239 | 7,673 |
| Employer Contributions | 4,680 | 19,004 | 19,004 | | 24,231 | 21,915 | 22,898 | 23,941 |
| Sub-total | \$ 7,552 | \$ 31,309 | \$ 31,309 | \$ - | \$ 35,385 | \$ 34,900 | \$ 36,600 | \$ 38,400 |
| Deductions: | | | | | | | | |
| Payments for Claims | 7,730 | 30,994 | 30,994 | N/A | 32,946 | 32,574 | 34,228 | 35,981 |
| Actuary & Other Payments | 635 | 2,280 | 2,280 | | 2,197 | 2,326 | 2,372 | 2,419 |
| Sub-total | \$ 8,365 | \$ 33,274 | \$ 33,274 | \$ - | \$ 35,143 | \$ 34,900 | \$ 36,600 | \$ 38,400 |
| Ending Balance | \$ 9,214 | \$ 9,214 | \$ 9,214 | N/A | \$ 11,179 | \$ 9,214 | \$ 9,214 | \$ 9,214 |

| <i>(In Thousands)</i> | Historical | | | | | Statistical | | | |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------|-----------|-----------|
| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | Low | Median | Mean | High |
| Opening Balance | \$ 12,505 | \$ 15,440 | \$ 15,914 | \$ 10,749 | \$ 10,937 | \$ 10,749 | \$ 12,505 | \$ 13,109 | \$ 15,914 |
| Additions: | | | | | | | | | |
| Employee Contributions | 6,147 | 5,893 | 4,573 | 5,447 | 5,460 | 4,573 | 5,460 | 5,504 | 6,147 |
| Retiree & Other Contributions | 6,910 | 5,701 | 5,188 | 5,141 | 5,694 | 5,141 | 5,694 | 5,727 | 6,910 |
| Employer Contributions | 21,155 | 20,629 | 14,252 | 22,220 | 24,231 | 14,252 | 21,155 | 20,497 | 24,231 |
| Sub-total | \$ 34,212 | \$ 32,223 | \$ 24,013 | \$ 32,808 | \$ 35,385 | | | | |
| Deductions: | | | | | | | | | |
| Payments for Claims | 29,220 | 29,354 | 27,157 | 30,408 | 32,946 | 27,157 | 29,354 | 29,817 | 32,946 |
| Actuary & Other Payments | 2,057 | 2,395 | 2,021 | 2,212 | 2,197 | 2,021 | 2,197 | 2,176 | 2,395 |
| Sub-total | \$ 31,277 | \$ 31,749 | \$ 29,178 | \$ 32,620 | \$ 35,143 | | | | |
| Ending balance | \$ 15,440 | \$ 15,914 | \$ 10,749 | \$ 10,937 | \$ 11,179 | \$ 10,749 | \$ 11,179 | \$ 12,844 | \$ 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, 2017

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 09/30/2017 | | Full Year | | | Projection | | |
|-----------------------------|-------------------------|---------------|---------------|-------------|-------------------|------------|------------|------------|
| | Current Quarter | Year -to-Date | 2017 Forecast | 2017 Budget | Prior Year Actual | 2018 | 2019 | 2020 |
| <i>(In Thousands)</i> | | | | | | | | |
| Opening Balance | \$ 147,066 | \$ 180,115 | \$ 180,115 | N/A | \$ 150,742 | \$ 131,716 | \$ 98,916 | \$ 106,627 |
| Additions: | | | | | | | | |
| Contributions | | 2,845 | 2,845 | 37,705 | 85,979 | | 7,711 | 22,748 |
| Sub-total | \$ - | \$ 2,845 | \$ 2,845 | \$ 37,705 | \$ 85,979 | \$ - | \$ 7,711 | \$ 22,748 |
| Withdrawals | 15,350 | 51,244 | 51,244 | 37,705 | - | 32,800 | - | - |
| Customer Fuel Rebate Credit | | | | - | 56,606 | | | |
| Sub-total | \$ 15,350 | \$ 51,244 | \$ 51,244 | \$ 37,705 | \$ 56,606 | \$ 32,800 | \$ - | \$ - |
| Ending Balance | 131,716 | \$ 131,716 | \$ 131,716 | N/A | \$ 180,115 | \$ 98,916 | \$ 106,627 | \$ 129,375 |

| | Historical | | | | | Statistical | | | |
|-----------------------------|------------|------------|------------|------------|------------|-------------|------------|------------|------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | Low | Median | Mean | High |
| Opening Balance | \$ 24,990 | \$ 92,362 | \$ 108,289 | \$ 105,457 | \$ 150,742 | \$ 24,990 | \$ 105,457 | \$ 96,368 | \$ 150,742 |
| Additions: | | | | | | | | | |
| Contributions | 76,763 | 52,523 | 22,496 | 95,224 | 85,979 | 22,496 | 76,763 | 66,597 | 95,224 |
| Sub-total | \$ 76,763 | \$ 52,523 | \$ 22,496 | \$ 95,224 | \$ 85,979 | - | - | - | - |
| Deductions: | | | | | | | | | |
| Withdrawals | 9,391 | | | | | 9,391 | 9,391 | 9,391 | 9,391 |
| Customer Fuel Rebate Credit | | 36,596 | 25,328 | 49,939 | 56,606 | 25,328 | 43,268 | 42,117 | 56,606 |
| Sub-total | \$ 9,391 | \$ 36,596 | \$ 25,328 | \$ 49,939 | \$ 56,606 | - | - | - | - |
| Ending balance | \$ 92,362 | \$ 108,289 | \$ 105,457 | \$ 150,742 | \$ 180,115 | \$ 92,362 | \$ 108,289 | \$ 127,393 | \$ 180,115 |

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, 2017

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 09/30/2017 | | Full Year | | | Projection | | |
|-----------------------|-------------------------|---------------|---------------|-------------|-------------------|------------|----------|----------|
| | Current Quarter | Year -to-Date | 2017 Forecast | 2017 Budget | Prior Year Actual | 2018 | 2019 | 2020 |
| <i>(In Thousands)</i> | | | | | | | | |
| Opening Balance | \$ 3,298 | \$ 3,515 | \$ 3,515 | N/A | \$ 2,886 | \$ 3,695 | \$ 3,079 | \$ 3,248 |
| Additions: | | | | | | | | |
| Contributions | 2,192 | 6,685 | 6,685 | 7,200 | 7,232 | 7,510 | 6,674 | 6,674 |
| Other | | | | | | | | |
| Sub-total | \$ 2,192 | \$ 6,685 | \$ 6,685 | \$ 7,200 | \$ 7,232 | \$ 7,510 | \$ 6,674 | \$ 6,674 |
| Withdrawals | 1,795 | 6,505 | 6,505 | 8,117 | 6,603 | 8,126 | 6,505 | 6,505 |
| Sub-total | \$ 1,795 | \$ 6,505 | \$ 6,505 | \$ 8,117 | \$ 6,603 | \$ 8,126 | \$ 6,505 | \$ 6,505 |
| Ending Balance | \$ 3,695 | \$ 3,695 | \$ 3,695 | N/A | \$ 3,515 | \$ 3,079 | \$ 3,248 | \$ 3,417 |

| | Historical | | | | | Statistical | | | |
|----------------------|------------|----------|----------|----------|----------|-------------|----------|----------|-----------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | Low | Median | Mean | High |
| Opening Balance | \$ 10,703 | \$ 6,912 | \$ 3,891 | \$ 3,570 | \$ 2,886 | \$ 2,886 | \$ 3,891 | \$ 5,592 | \$ 10,703 |
| Additions: | | | | | | | | | |
| Contributions | 6,657 | 6,683 | 6,929 | 7,059 | 7,232 | 6,657 | 6,929 | 6,912 | 7,232 |
| Transfer from Rev Fd | | | | | | - | - | - | - |
| Sub-total | \$ 6,657 | \$ 6,683 | \$ 6,929 | \$ 7,059 | \$ 7,232 | | | | |
| Deductions: | | | | | | | | | |
| Withdrawals | 10,448 | 9,704 | 7,250 | 7,743 | 6,603 | 6,603 | 7,743 | 8,350 | 10,448 |
| Sub-total | \$ 10,448 | \$ 9,704 | \$ 7,250 | \$ 7,743 | \$ 6,603 | | | | |
| Ending balance | \$ 6,912 | \$ 3,891 | \$ 3,570 | \$ 2,886 | \$ 3,515 | \$ 2,886 | \$ 3,570 | \$ 4,155 | \$ 6,912 |

Observations:

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

Electric System Rate Stabilization - Environmental

For the Fiscal Quarter Ending September 30, 2017

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 09/30/2017 | | Full Year | | | Projection | | |
|-----------------------|-------------------------|---------------|---------------|-------------|-------------------|------------|-----------|-----------|
| | Current Quarter | Year -to-Date | 2017 Forecast | 2017 Budget | Prior Year Actual | 2018 | 2019 | 2020 |
| <i>(In Thousands)</i> | | | | | | | | |
| Opening Balance | \$ 34,540 | \$ 29,975 | \$ 29,975 | N/A | \$ 23,430 | \$ 36,417 | \$ 42,308 | \$ 48,408 |
| Additions: | | | | | | | | |
| Contributions | 2,211 | 7,384 | 7,384 | 7,564 | 7,700 | 7,942 | 7,320 | 7,320 |
| Sub-total | \$ 2,211 | \$ 7,384 | \$ 7,384 | \$ 7,564 | \$ 7,700 | \$ 7,942 | \$ 7,320 | \$ 7,320 |
| Withdrawals | 334 | 942 | 942 | 2,078 | 1,155 | 2,051 | 1,220 | 2,440 |
| Sub-total | \$ 334 | \$ 942 | \$ 942 | \$ 2,078 | \$ 1,155 | \$ 2,051 | \$ 1,220 | \$ 2,440 |
| Ending Balance | \$ 36,417 | \$ 36,417 | \$ 36,417 | N/A | \$ 29,975 | \$ 42,308 | \$ 48,408 | \$ 53,288 |

| | Historical | | | | | Statistical | | | |
|-----------------|------------|-----------|-----------|-----------|-----------|-------------|-----------|-----------|-----------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | Low | Median | Mean | High |
| Opening Balance | \$ 4,232 | \$ 5,343 | \$ 10,023 | \$ 16,639 | \$ 23,430 | \$ 4,232 | \$ 10,023 | \$ 11,933 | \$ 23,430 |
| Additions: | | | | | | | | | |
| Contributions | 2,436 | 5,650 | 7,395 | 7,586 | 7,700 | 2,436 | 7,395 | 6,153 | 7,700 |
| Sub-total | \$ 2,436 | \$ 5,650 | \$ 7,395 | \$ 7,586 | \$ 7,700 | - | - | - | - |
| Deductions: | | | | | | | | | |
| Withdrawals | 1,325 | 970 | 779 | 795 | 1,155 | 779 | 970 | 1,005 | 1,325 |
| Sub-total | \$ 1,325 | \$ 970 | \$ 779 | \$ 795 | \$ 1,155 | - | - | - | - |
| Ending balance | \$ 5,343 | \$ 10,023 | \$ 16,639 | \$ 23,430 | \$ 29,975 | \$ 5,343 | \$ 16,639 | \$ 17,082 | \$ 29,975 |

Observations:

- Rate Stabilization Fund for Environmental began in June 2010.

Electric System Rate Stabilization - Debt Management

For the Fiscal Quarter Ending September 30, 2017

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 09/30/2017 | | Full Year | | | Projection | | |
|-----------------------|-------------------------|---------------|-----------|--------|------------|------------|-----------|-----------|
| | Current | Year -to-Date | 2017 | 2017 | Prior Year | 2018 | 2019 | 2020 |
| | Quarter | | Forecast | Budget | Actual | | | |
| <i>(In Thousands)</i> | | | | | | | | |
| Opening Balance | \$ 29,884 | \$ 42,126 | \$ 42,126 | N/A | \$ 42,126 | \$ 29,884 | \$ 29,884 | \$ 29,884 |
| Additions: | | | | | | | | |
| Contributions | | | | N/A | - | | | |
| Sub-total | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Withdrawals | | 12,242 | 12,242 | | - | | | |
| Sub-total | \$ - | \$ 12,242 | \$ 12,242 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Ending Balance | \$ 29,884 | \$ 29,884 | \$ 29,884 | N/A | \$ 42,126 | \$ 29,884 | \$ 29,884 | \$ 29,884 |

| | Historical | | | | | Statistical | | | |
|-----------------|------------|-----------|-----------|-----------|-----------|-------------|-----------|-----------|-----------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | Low | Median | Mean | High |
| Opening Balance | \$ 35,930 | \$ 41,611 | \$ 42,126 | \$ 42,126 | \$ 42,126 | \$ 35,930 | \$ 42,126 | \$ 40,784 | \$ 42,126 |
| Additions: | | | | | | | | | |
| Contributions | 5,681 | 6,581 | | | | 5,681 | 6,131 | 6,131 | 6,581 |
| Sub-total | \$ 5,681 | \$ 6,581 | \$ - | \$ - | \$ - | - | - | - | - |
| Deductions: | | | | | | | | | |
| Withdrawals | | 6,066 | | | | 6,066 | 6,066 | 6,066 | 6,066 |
| Sub-total | \$ - | \$ 6,066 | \$ - | \$ - | \$ - | - | - | - | - |
| Ending balance | \$ 41,611 | \$ 42,126 | \$ 42,126 | \$ 42,126 | \$ 42,126 | \$ 41,611 | \$ 42,126 | \$ 42,023 | \$ 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, 2017

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 09/30/2017 | | Full Year | | | Projection | | |
|-----------------------|-------------------------|---------------|---------------|-------------|-------------------|------------|-----------|-------|
| | Current Quarter | Year -to-Date | 2017 Forecast | 2017 Budget | Prior Year Actual | 2018 | 2019 | 2020 |
| <i>(In Thousands)</i> | | | | | | | | |
| Opening Balance | \$ 28,035 | \$ 34,400 | \$ 34,400 | N/A | \$ 38,000 | \$ 25,189 | \$ 13,444 | \$ 22 |
| Additions: | | | | | | | | |
| Contributions | | | | | - | - | | |
| Sub-total | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Withdrawals | 2,846 | 9,211 | 9,211 | 9,232 | 3,600 | 11,745 | 13,422 | - |
| Sub-total | \$ 2,846 | \$ 9,211 | \$ 9,211 | \$ 9,232 | \$ 3,600 | \$ 11,745 | \$ 13,422 | \$ - |
| Ending Balance | \$ 25,189 | \$ 25,189 | \$ 25,189 | N/A | \$ 34,400 | \$ 13,444 | \$ 22 | \$ 22 |

| | Historical | | | | | Statistical | | | |
|-----------------|------------|------|-----------|-----------|-----------|-------------|-----------|-----------|-----------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | Low | Median | Mean | High |
| Opening Balance | \$ - | \$ - | \$ - | \$ 12,000 | \$ 38,000 | \$ - | \$ - | \$ 10,000 | \$ 38,000 |
| Additions: | | | | | | | | | |
| Contributions | | | 12,000 | 26,000 | | 12,000 | 19,000 | 19,000 | 26,000 |
| Sub-total | \$ - | \$ - | \$ 12,000 | \$ 26,000 | \$ - | - | - | - | - |
| Deductions: | | | | | | | | | |
| Withdrawals | | | | | 3,600 | 3,600 | 3,600 | 3,600 | 3,600 |
| Sub-total | \$ - | \$ - | \$ - | \$ - | \$ 3,600 | - | - | - | - |
| Ending balance | \$ - | \$ - | \$ 12,000 | \$ 38,000 | \$ 34,400 | \$ - | \$ 12,000 | \$ 16,880 | \$ 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, 2017

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.

| | Actual as of 09/30/2017 | | Full Year | | | Projection | | |
|-----------------------|-------------------------|---------------|---------------|-------------|-------------------|------------|-----------|-----------|
| | Current Quarter | Year -to-Date | 2017 Forecast | 2017 Budget | Prior Year Actual | 2018 | 2019 | 2020 |
| <i>(In Thousands)</i> | | | | | | | | |
| Opening Balance | \$ 18,556 | \$ 18,556 | \$ 18,556 | N/A | \$ 18,662 | \$ 18,556 | \$ 18,556 | \$ 18,556 |
| Additions: | | | | | | | | |
| Contributions | | | - | N/A | - | | | |
| Sub-total | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Withdrawals | | | - | N/A | 106 | | | |
| Sub-total | \$ - | \$ - | \$ - | \$ - | \$ 106 | \$ - | \$ - | \$ - |
| Ending Balance | \$ 18,556 | \$ 18,556 | \$ 18,556 | N/A | \$ 18,556 | \$ 18,556 | \$ 18,556 | \$ 18,556 |

| | Historical | | | | | Statistical | | | |
|-----------------|------------|-----------|-----------|-----------|-----------|-------------|-----------|-----------|-----------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | Low | Median | Mean | High |
| Opening Balance | \$ 20,899 | \$ 18,359 | \$ 18,662 | \$ 18,662 | \$ 18,662 | \$ 18,359 | \$ 18,662 | \$ 19,049 | \$ 20,899 |
| Additions: | | | | | | | | | |
| Contributions | | 970 | | | | 970 | 970 | 970 | 970 |
| Sub-total | \$ - | \$ 970 | \$ - | \$ - | \$ - | - | - | - | - |
| Deductions: | | | | | | | | | |
| Withdrawals | 2,540 | 667 | | | 106 | 106 | 667 | 1,104 | 2,540 |
| Sub-total | \$ 2,540 | \$ 667 | \$ - | \$ - | \$ 106 | - | - | - | - |
| Ending balance | \$ 18,359 | \$ 18,662 | \$ 18,662 | \$ 18,662 | \$ 18,556 | \$ 18,359 | \$ 18,662 | \$ 18,580 | \$ 18,662 |

Observations:

- The Environmental Reserve began in FY 2008.

Electric System Customer Deposits

For the Fiscal Quarter Ending September 30, 2017

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 09/30/2017 | | Full Year | | | Projection | | |
|---|-------------------------|---------------|---------------|-------------|-------------------|------------|-----------|-----------|
| | Current Quarter | Year -to-Date | 2017 Forecast | 2017 Budget | Prior Year Actual | 2018 | 2019 | 2020 |
| <i>(In Thousands)</i> | | | | | | | | |
| Opening Balance | \$ 41,657 | \$ 41,084 | \$ 41,084 | N/A | \$ 42,389 | \$ 42,105 | \$ 42,105 | \$ 42,105 |
| Additions: | | | | | | | | |
| Net Customer Activity | 448 | 1,021 | 1,021 | N/A | - | | | |
| Loan Repayment to ES Revenue Fund | | | | | - | | | |
| Sub-total | \$ 448 | \$ 1,021 | \$ 1,021 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net Customer Activity Loan to ES Revenue Fund | | | - | N/A | 1,305 | | | |
| Sub-total | \$ - | \$ - | \$ - | \$ - | \$ 1,305 | \$ - | \$ - | \$ - |
| Ending Balance | \$ 42,105 | \$ 42,105 | \$ 42,105 | N/A | \$ 41,084 | \$ 42,105 | \$ 42,105 | \$ 42,105 |

| | Historical | | | | | Statistical | | | |
|-----------------------------------|------------|-----------|-----------|-----------|-----------|-------------|-----------|-----------|-----------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | Low | Median | Mean | High |
| Opening Balance | \$ 42,767 | \$ 43,454 | \$ 44,882 | \$ 42,688 | \$ 42,389 | \$ 42,389 | \$ 42,767 | \$ 43,236 | \$ 44,882 |
| Additions: | | | | | | | | | |
| Net Customer Activity | 905 | 1,430 | - | - | - | 905 | 1,168 | 1,168 | 1,430 |
| Loan Repayment to ES Revenue Fund | | | | | | - | - | - | - |
| Sub-total | \$ 905 | \$ 1,430 | \$ - | \$ - | \$ - | - | - | - | - |
| Deductions: | | | | | | | | | |
| Net Customer Activity | 218 | 2 | 2,194 | 299 | 1,305 | 2 | 299 | 804 | 2,194 |
| Loan to ES Revenue Fund | | | | | | - | - | - | - |
| Sub-total | \$ 218 | \$ 2 | \$ 2,194 | \$ 299 | \$ 1,305 | | | | |
| Ending balance | \$ 43,454 | \$ 44,882 | \$ 42,688 | \$ 42,389 | \$ 41,084 | \$ 41,084 | \$ 42,688 | \$ 42,899 | \$ 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, 2017

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 09/30/2017 | | Full Year | | | Projection | | |
|----------------------------|-------------------------|---------------|---------------|-------------|-------------------|------------|------------|------------|
| | Current Quarter | Year -to-Date | 2017 Forecast | 2017 Budget | Prior Year Actual | 2018 | 2019 | 2020 |
| Opening Balance | \$ 110,442 | \$ 136,232 | \$ 136,232 | N/A | \$ 134,927 | \$ 167,087 | \$ 160,067 | \$ 148,715 |
| Additions: | | | | | | | | |
| Revenue Fund Deposits | 58,112 | 209,450 | 209,450 | | 177,847 | 210,807 | 198,994 | 141,059 |
| Bond funded interest | | | | | - | | | |
| Sub-total | \$ 58,112 | \$ 209,450 | \$ 209,450 | \$ - | \$ 177,847 | \$ 210,807 | \$ 198,994 | \$ 141,059 |
| Principal and Int Payments | 1,467 | 178,595 | 178,595 | N/A | 176,542 | 217,827 | 210,346 | 198,945 |
| Sub-total | \$ 1,467 | \$ 178,595 | \$ 178,595 | \$ - | \$ 176,542 | \$ 217,827 | \$ 210,346 | \$ 198,945 |
| Ending Balance | \$ 167,087 | \$ 167,087 | \$ 167,087 | N/A | \$ 136,232 | \$ 160,067 | \$ 148,715 | \$ 90,829 |

| | Historical | | | | | Statistical | | | |
|----------------------------|------------|------------|------------|------------|------------|-------------|------------|------------|------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | Low | Median | Mean | High |
| Opening Balance | \$ 125,988 | \$ 107,754 | \$ 101,305 | \$ 120,458 | \$ 134,927 | \$ 101,305 | \$ 120,458 | \$ 118,086 | \$ 134,927 |
| Additions: | | | | | | | | | |
| Revenue Fund Deposits | 159,724 | 159,072 | 167,340 | 181,006 | 177,847 | 159,072 | 167,340 | 168,998 | 181,006 |
| Bond funded interest | | | | | | - | - | - | - |
| Sub-total | \$ 159,724 | \$ 159,072 | \$ 167,340 | \$ 181,006 | \$ 177,847 | | | | |
| Deductions: | | | | | | | | | |
| Principal and Int Payments | 177,958 | 165,521 | 148,187 | 166,537 | 176,542 | 148,187 | 166,537 | 166,949 | 177,958 |
| Sub-total | \$ 177,958 | \$ 165,521 | \$ 148,187 | \$ 166,537 | \$ 176,542 | | | | |
| Ending balance | \$ 107,754 | \$ 101,305 | \$ 120,458 | \$ 134,927 | \$ 136,232 | \$ 101,305 | \$ 120,458 | \$ 120,135 | \$ 136,232 |

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, 2017

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.

| (In Thousands) | Actual as of 09/30/2017 | | Full Year Budget Amounts | | | Projection | | |
|-------------------------|-------------------------|---------------|--------------------------|-------------|-------------------|------------|-----------|-----------|
| | Current Quarter | Year -to-Date | 2017 Forecast | 2017 Budget | Prior Year Actual | 2018 | 2019 | 2020 |
| Opening Balance | \$ 60,582 | \$ 60,582 | \$ 60,582 | N/A | \$ 64,595 | \$ 60,582 | \$ 60,582 | \$ 60,582 |
| Additions: | | | | | | | | |
| Sub-total | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Release to Revenue Fund | | | | N/A | 4,013 | | | |
| Sub-total | \$ - | \$ - | \$ - | \$ - | \$ 4,013 | \$ - | \$ - | \$ - |
| Ending Balance | \$ 60,582 | \$ 60,582 | \$ 60,582 | N/A | \$ 60,582 | \$ 60,582 | \$ 60,582 | \$ 60,582 |

| | Historical Actuals | | | | | Statistical | | | |
|---------------------|--------------------|-----------|-----------|-----------|-----------|-------------|-----------|-----------|-----------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | Low | Median | Mean | High |
| Opening Balance | \$ 72,226 | \$ 72,226 | \$ 64,841 | \$ 64,841 | \$ 64,595 | \$ 64,595 | \$ 64,841 | \$ 67,746 | \$ 72,226 |
| Additions: | | | | | | | | | |
| Proceeds from Bonds | | | | - | - | - | - | - | - |
| Sub-total | \$ - | \$ - | \$ - | \$ - | \$ - | - | - | - | - |
| Deductions: | | | | | | | | | |
| Defeasance | | 7,385 | | 246 | 4,013 | 246 | 4,013 | 3,881 | 7,385 |
| Sub-total | \$ - | \$ 7,385 | \$ - | \$ 246 | \$ 4,013 | - | - | - | - |
| Ending balance | \$ 72,226 | \$ 64,841 | \$ 64,841 | \$ 64,595 | \$ 60,582 | 60,582 | 64,841 | 65,417 | 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 \$8.0 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, 2017

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 09/30/2017 | | Full Year | | | Projection | | |
|----------------------------|-------------------------|---------------|---------------|-------------|-------------------|------------|------------|------------|
| | Current Quarter | Year -to-Date | 2017 Forecast | 2017 Budget | Prior Year Actual | 2018 | 2019 | 2020 |
| Opening Balance | \$ 165,327 | \$ 192,179 | \$ 192,179 | N/A | \$ 145,711 | \$ 201,368 | \$ 183,400 | \$ 149,471 |
| Additions: | | | | | | | | |
| R&R/OCO Contribution | 71,336 | 196,589 | 196,589 | | 200,692 | 177,270 | 172,400 | 213,477 |
| Loans betw Capital Fds | | | | | - | | | |
| Other | 1,755 | 5,074 | 5,074 | | 3,744 | 13,048 | 11,725 | |
| Sub-total | \$ 73,091 | \$ 201,663 | \$ 201,663 | \$ - | \$ 204,436 | \$ 190,318 | \$ 184,125 | \$ 213,477 |
| Deductions: | | | | | | | | |
| Capital Expenditures | 12,434 | 113,987 | 113,987 | | 157,201 | 208,286 | 218,054 | 172,669 |
| Transfers betw Capital Fds | | | | | - | 765 | | |
| R&R/OCO Contribution | | | | | | | | |
| Debt Defeasance | | 37,200 | 37,200 | | - | | | |
| Other | 24,616 | 41,287 | 41,287 | | | | | |
| Sub-total | \$ 37,050 | \$ 192,474 | \$ 192,474 | \$ - | \$ 157,966 | \$ 208,286 | \$ 218,054 | \$ 172,669 |
| Ending Balance | \$ 201,368 | \$ 201,368 | \$ 201,368 | N/A | \$ 192,181 | \$ 183,400 | \$ 149,471 | \$ 190,279 |

| | Historical | | | | | Statistical | | | |
|------------------------|------------|------------|------------|------------|------------|-------------|------------|------------|------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | Low | Median | Mean | High |
| Opening Balance | \$ 73,727 | \$ 105,235 | \$ 140,486 | \$ 146,910 | \$ 145,711 | \$ 73,727 | \$ 140,486 | \$ 122,414 | \$ 146,910 |
| Additions: | | | | | | | | | |
| R&R/OCO Contribution | 142,822 | 124,630 | 85,639 | 110,351 | 200,692 | 85,639 | 124,630 | 132,827 | 200,692 |
| Loans betw Capital Fds | - | - | - | - | - | - | - | - | - |
| Other | 943 | 2,423 | 4,014 | 970 | 3,744 | 943 | 2,423 | 2,419 | 4,014 |
| Sub-total | \$ 143,765 | \$ 127,053 | \$ 89,653 | \$ 111,321 | \$ 204,436 | | | | |
| Deductions: | | | | | | | | | |
| Capital Expenditures | 112,257 | 91,802 | 82,889 | 112,483 | 157,201 | 82,889 | 112,257 | 111,326 | 157,201 |
| Bond Buy Back | - | - | - | - | 2 | - | 1 | 1 | 2 |
| Transfer to Scherer | | | | | | | | | |
| Loans betw Capital Fds | | | 340 | 37 | 765 | | | | |
| Other | - | - | - | - | - | - | - | - | - |
| Sub-total | \$ 112,257 | \$ 91,802 | \$ 83,229 | \$ 112,520 | \$ 157,968 | | | | |
| Ending balance | \$ 105,235 | \$ 140,486 | \$ 146,910 | \$ 145,711 | \$ 192,179 | \$ 105,235 | \$ 145,711 | \$ 146,104 | \$ 192,179 |

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, 2017

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 09/30/2017 | | Full Year | | | Projection | | |
|---------------------------|-------------------------|---------------|---------------|-------------|-------------------|------------|------|------|
| | Current Quarter | Year -to-Date | 2017 Forecast | 2017 Budget | Prior Year Actual | 2018 | 2019 | 2020 |
| Opening Balance | \$ 39 | \$ - | \$ - | N/A | \$ 4 | \$ - | \$ - | \$ - |
| Additions: | | | | | | | | |
| Bond Proceeds | | 429 | 429 | - | - | | | |
| Line of Credit | | | | - | - | | | |
| Transfers b/w Capital Fds | - | | | - | - | | | |
| Other | | | | - | 2 | | | |
| Sub-total | \$ - | \$ 429 | \$ 429 | \$ - | \$ 2 | \$ - | \$ - | \$ - |
| Deductions: | | | | | | | | |
| Capital Expenditures | | | | | 6 | - | - | - |
| Bond Funded Interest | | | | | - | - | - | - |
| Transfers b/w Capital Fds | | | | | - | - | - | - |
| Other | 39 | 429 | 429 | - | - | - | - | - |
| Sub-total | \$ 39 | \$ 429 | \$ 429 | \$ - | \$ 6 | \$ - | \$ - | \$ - |
| Ending Balance | \$ - | \$ - | \$ - | N/A | \$ - | \$ - | \$ - | \$ - |

| (In Thousands) | Historical | | | | | Statistical | | | |
|---------------------------|------------|-----------|----------|-------|------|-------------|----------|-----------|-----------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | Low | Median | Mean | High |
| Opening Balance | \$ 63,915 | \$ 40,034 | \$ 5,184 | \$ 42 | \$ 4 | \$ - | \$ 2,613 | \$ 18,197 | \$ 63,915 |
| Additions: | | | | | | | | | |
| Bond Proceeds | | 1,550 | | | | 1,550 | 1,550 | 1,550 | 1,550 |
| Line of Credit | | | | | | - | - | - | - |
| Transfers b/w Capital Fds | | | 3,091 | | | 3,091 | 3,091 | 3,091 | 3,091 |
| Other | | 34 | 340 | 37 | 2 | 2 | 36 | 103 | 340 |
| Sub-total | \$ - | \$ 1,584 | \$ 3,431 | \$ 37 | \$ 2 | | | | |
| Deductions: | | | | | | | | | |
| Capital Expenditures | 23,385 | 35,253 | 4,821 | 75 | 6 | 6 | 4,821 | 12,708 | 35,253 |
| Bond Funded Interest | | | | | | - | - | - | - |
| 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 | \$ 23,881 | \$ 36,434 | \$ 8,573 | \$ 75 | \$ 6 | | | | |
| Ending balance | \$ 40,034 | \$ 5,184 | \$ 42 | \$ 4 | \$ - | \$ - | \$ 42 | \$ 9,053 | \$ 40,034 |

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, 2017

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 09/30/2017 | | Full Year | | | Projection | | |
|-----------------------|-------------------------|---------------|---------------|-------------|-------------------|------------|------|------|
| | Current Quarter | Year -to-Date | 2017 Forecast | 2017 Budget | Prior Year Actual | 2018 | 2019 | 2020 |
| <i>(In Thousands)</i> | | | | | | | | |
| Opening Balance | \$ - | \$ - | \$ - | N/A | \$ - | \$ - | \$ - | \$ - |
| Additions: | | | | | | | | |
| Contributions | | | | | - | | | |
| Sub-total | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Deductions: | | | | | | | | |
| Withdrawals | | | | | - | | | |
| Sub-total | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Ending Balance | \$ - | \$ - | \$ - | N/A | \$ - | \$ - | \$ - | \$ - |

| | Historical | | | | | Statistical | | | |
|-----------------|------------|----------|--------|--------|------|-------------|--------|----------|----------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | Low | Median | Mean | High |
| Opening Balance | \$ 6,458 | \$ 6,458 | \$ 304 | \$ 304 | \$ - | \$ - | \$ 304 | \$ 2,705 | \$ 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 | \$ 304 | \$ 304 | \$ - | \$ - | \$ - | \$ 304 | \$ 1,413 | \$ 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, 2017

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 09/30/2017 | | Full Year | | | Projection | | |
|------------------------------|-------------------------|---------------|---------------|-------------|-------------------|------------|-----------|-----------|
| | Current Quarter | Year -to-Date | 2017 Forecast | 2017 Budget | Prior Year Actual | 2018 | 2019 | 2020 |
| <i>(In Thousands)</i> | | | | | | | | |
| Opening Balance | \$ 20,290 | \$ 20,290 | \$ 20,290 | N/A | \$ 20,290 | \$ 14,209 | \$ 14,209 | \$ 14,209 |
| Additions: | | | | | | | | |
| Contributions | - | - | - | N/A | - | - | - | - |
| Financial Statement Rounding | | | | | | | | |
| Sub-total | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Deductions: | | | | | | | | |
| Withdrawals | 6,081 | 6,081 | 6,081 | | | | | |
| Sub-total | \$ 6,081 | \$ 6,081 | \$ 6,081 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Ending Balance | \$ 14,209 | \$ 14,209 | \$ 14,209 | N/A | \$ 20,290 | \$ 14,209 | \$ 14,209 | \$ 14,209 |

| | Historical | | | | | Statistical | | | |
|-----------------|------------|-----------|-----------|-----------|-----------|-------------|-----------|-----------|-----------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | Low | Median | Mean | High |
| Opening Balance | \$ 17,560 | \$ 20,290 | \$ 20,290 | \$ 20,290 | \$ 20,290 | \$ 17,560 | \$ 20,290 | \$ 19,744 | \$ 20,290 |
| Additions: | | | | | | | | | |
| Contributions | 2,730 | | | | | - | - | - | - |
| Sub-total | \$ 2,730 | \$ - | \$ - | \$ - | \$ - | - | - | - | - |
| Deductions: | | | | | | | | | |
| Withdrawals | | | | | | - | - | - | - |
| Sub-total | \$ - | \$ - | \$ - | \$ - | \$ - | - | - | - | - |
| Ending balance | \$ 20,290 | \$ 20,290 | \$ 20,290 | \$ 20,290 | \$ 20,290 | \$ 20,290 | \$ 20,290 | \$ 20,290 | \$ 20,290 |

Observations:

- Contributions began in June 2009.

Water & Sewer System Rate Stabilization - Environmental

For the Fiscal Quarter Ending September 30, 2017

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 09/30/2017 | | Full Year | | | Projection | | |
|-----------------------|-------------------------|---------------|---------------|-------------|-------------------|------------|-----------|-----------|
| | Current Quarter | Year -to-Date | 2017 Forecast | 2017 Budget | Prior Year Actual | 2018 | 2019 | 2020 |
| Opening Balance | \$ 4,897 | \$ 1,699 | \$ 1,699 | N/A | \$ - | \$ 5,214 | \$ 5,214 | \$ 5,214 |
| Additions: | | | | | | | | |
| Contributions | 6,236 | 24,362 | 24,362 | | - | 28,361 | 28,361 | 28,361 |
| Regulatory Receivable | | | | | | | | |
| Sub-total | \$ 6,236 | \$ 24,362 | \$ 24,362 | \$ - | \$ - | \$ 28,361 | \$ 28,361 | \$ 28,361 |
| Deductions: | | | | | | | | |
| Withdrawals | 5,919 | 20,847 | 20,847 | | - | 28,361 | 28,361 | 28,361 |
| Regulatory Receivable | | | | | | | | |
| Sub-total | \$ 5,919 | \$ 20,847 | \$ 20,847 | \$ - | \$ - | \$ 28,361 | \$ 28,361 | \$ 28,361 |
| Ending Balance | \$ 5,214 | \$ 5,214 | \$ 5,214 | N/A | \$ - | \$ 5,214 | \$ 5,214 | \$ 5,214 |

| | Historical | | | | | Statistical | | | |
|-----------------|------------|------|------|------|-----------|-------------|--------|--------|----------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | Low | Median | Mean | High |
| Opening Balance | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Additions: | | | | | | | | | |
| Contributions | | | | | 23,635 | 23,635 | 23,635 | 23,635 | 23,635 |
| Sub-total | \$ - | \$ - | \$ - | \$ - | \$ 23,635 | - | - | - | - |
| Deductions: | | | | | | | | | |
| Withdrawals | | | | | 21,936 | 21,936 | 21,936 | 21,936 | 21,936 |
| Sub-total | \$ - | \$ - | \$ - | \$ - | \$ 21,936 | - | - | - | - |
| Ending balance | \$ - | \$ - | \$ - | \$ - | \$ 1,699 | \$ - | \$ - | \$ 340 | \$ 1,699 |

Observations:

- Rate Stabilization Fund for Environmental began in June 2010.

Water and Sewer System Customer Deposits

For the Fiscal Quarter Ending September 30, 2017

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.

| (In Thousands) | Actual as of 09/30/2017 | | Full Year | | | Projection | | |
|--|-------------------------|---------------|---------------|-------------|-------------------|------------|-----------|-----------|
| | Current Quarter | Year -to-Date | 2017 Forecast | 2017 Budget | Prior Year Actual | 2018 | 2019 | 2020 |
| Opening Balance | \$ 14,797 | \$ 13,910 | \$ 13,910 | N/A | \$ 13,255 | \$ 15,086 | \$ 15,086 | \$ 15,086 |
| Additions: | | | | | | | | |
| Allocated from Electric Loan Repayment | 289 | 1,176 | 1,176 | N/A | 655 | | | |
| Sub-total | \$ 289 | \$ 1,176 | \$ 1,176 | - | \$ 655 | - | - | - |
| Deductions: | | | | | | | | |
| Allocated from Electric Loan to W&S Operations | | | - | N/A | - | | | |
| Sub-total | - | - | - | - | - | - | - | - |
| Ending Balance | \$ 15,086 | \$ 15,086 | \$ 15,086 | N/A | \$ 13,910 | \$ 15,086 | \$ 15,086 | \$ 15,086 |

| | Historical | | | | | Statistical | | | |
|--|------------|-----------|-----------|-----------|-----------|-------------|-----------|-----------|-----------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | Low | Median | Mean | High |
| Opening Balance | \$ 9,727 | \$ 12,627 | \$ 13,860 | \$ 12,787 | \$ 13,255 | \$ 9,727 | \$ 12,787 | \$ 12,451 | \$ 13,860 |
| Additions: | | | | | | | | | |
| Allocated from Electric Loan Repayment | 2,900 | 1,233 | | 468 | 655 | 468 | 562 | 562 | 655 |
| Sub-total | \$ 3,900 | \$ 1,233 | - | \$ 468 | \$ 655 | - | - | - | - |
| 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 | \$ 12,627 | \$ 13,860 | \$ 12,787 | \$ 13,255 | \$ 13,910 | \$ 12,627 | \$ 13,255 | \$ 13,288 | \$ 13,910 |

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, 2017

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 09/30/2017 | | Full Year | | | Projection | | |
|---------------------------------|-------------------------|---------------|---------------|-------------|-------------------|------------|------------|------------|
| | Current Quarter | Year -to-Date | 2017 Forecast | 2017 Budget | Prior Year Actual | 2018 | 2019 | 2020 |
| Opening Balance | \$ 54,010 | \$ 65,410 | \$ 65,410 | N/A | \$ 67,720 | \$ 82,208 | \$ 82,397 | \$ 84,416 |
| Additions: | | | | | | | | |
| Revenue fund deposits | 28,814 | 114,873 | 114,873 | | 97,077 | 119,275 | 120,995 | 122,518 |
| Sub-total | \$ 28,814 | \$ 114,873 | \$ 114,873 | \$ - | \$ 97,077 | \$ 119,275 | \$ 120,995 | \$ 122,518 |
| Deductions: | | | | | | | | |
| Principal and interest payments | 616 | 98,075 | 98,075 | N/A | 99,387 | 119,086 | 118,976 | 120,873 |
| Sub-total | \$ 616 | \$ 98,075 | \$ 98,075 | \$ - | \$ 99,387 | \$ 119,086 | \$ 118,976 | \$ 120,873 |
| Ending Balance | \$ 82,208 | \$ 82,208 | \$ 82,208 | N/A | \$ 65,410 | \$ 82,397 | \$ 84,416 | \$ 86,061 |

| (In Thousands) | Historical | | | | | Statistical | | | |
|---------------------------------|------------|------------|------------|------------|-----------|-------------|-----------|-----------|-----------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | Low | Median | Mean | High |
| Opening Balance | \$ 80,936 | \$ 81,675 | \$ 80,317 | \$ 75,019 | \$ 67,720 | \$ - | \$ 77,668 | \$ 64,278 | \$ 81,675 |
| Additions: | | | | | | | | | |
| Revenue fund deposits | 125,160 | 119,535 | 117,444 | 102,789 | 97,077 | 97,077 | 117,444 | 112,401 | 125,160 |
| Bond funded interest | | | | | | - | - | - | - |
| Sub-total | \$ 125,160 | \$ 119,535 | \$ 117,444 | \$ 102,789 | \$ 97,077 | - | - | - | - |
| Deductions: | | | | | | | | | |
| Principal and interest payments | 124,421 | 120,893 | 122,742 | 110,088 | 99,387 | 99,387 | 120,893 | 115,506 | 124,421 |
| Sub-total | \$ 124,421 | \$ 120,893 | \$ 122,742 | \$ 110,088 | \$ 99,387 | - | - | - | - |
| Ending balance | \$ 81,675 | \$ 80,317 | \$ 75,019 | \$ 67,720 | \$ 65,410 | \$ 65,410 | \$ 75,019 | \$ 74,028 | \$ 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, 2017

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.

| (In Thousands) | Actual as of 09/30/2017 | | Full Year | | | Projection | | |
|---------------------------------------|-------------------------|---------------|---------------|-------------|-------------------|------------|------------|------------|
| | Current Quarter | Year -to-Date | 2017 Forecast | 2017 Budget | Prior Year Actual | 2018 | 2019 | 2020 |
| Opening Balance | \$ 107,488 | \$ 108,086 | \$ 108,086 | N/A | \$ 108,849 | \$ 107,488 | \$ 105,574 | \$ 105,574 |
| Additions: | | | | | | | | |
| Construction reserve fund/bond issues | | | - | N/A | - | | | |
| Revenue fund | | | - | N/A | - | | | |
| Rounding | | | - | | | | | |
| Sub-total | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Deductions: | | | | | | | | |
| Revenue fund | | 598 | 598 | | 763 | 1,914 | | |
| Sub-total | \$ - | \$ 598 | \$ 598 | \$ - | \$ 763 | \$ 1,914 | \$ - | \$ - |
| Ending Balance | \$ 107,488 | \$ 107,488 | \$ 107,488 | N/A | \$ 108,086 | \$ 105,574 | \$ 105,574 | \$ 105,574 |

| | Historical | | | | | Statistical | | | |
|---------------------------------------|------------|------------|------------|------------|------------|-------------|------------|------------|------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | Low | Median | Mean | High |
| Opening Balance | \$ 102,214 | \$ 119,131 | \$ 119,915 | \$ 116,829 | \$ 108,849 | \$ 102,214 | \$ 116,829 | \$ 113,388 | \$ 119,915 |
| Additions: | | | | | | | | | |
| Construction reserve fund/bond issues | 10,917 | 784 | - | | | 784 | 5,851 | 5,851 | 10,917 |
| Revenue fund | 6,000 | 3,821 | | | | 3,821 | 4,911 | 4,911 | 6,000 |
| Sub-total | \$ 16,917 | \$ 4,605 | \$ - | \$ - | \$ - | - | - | - | - |
| Deductions: | | | | | | | | | |
| Revenue fund | | 3,821 | 3,086 | 7,980 | 763 | 763 | 3,454 | 3,913 | 7,980 |
| Sub-total | \$ - | \$ 3,821 | \$ 3,086 | \$ 7,980 | \$ 763 | - | - | - | - |
| Ending balance | \$ 119,131 | \$ 119,915 | \$ 116,829 | \$ 108,849 | \$ 108,086 | \$ 108,086 | \$ 116,829 | \$ 114,562 | \$ 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, 2017

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 09/30/2017 | | Full Year | | | Projection | | |
|-------------------------------|-------------------------|---------------|---------------|-------------|-------------------|------------|------------|------------|
| | Current Quarter | Year -to-Date | 2017 Forecast | 2017 Budget | Prior Year Actual | 2018 | 2019 | 2020 |
| Opening Balance | \$ 91,089 | \$ 76,020 | \$ 76,020 | N/A | \$ 37,337 | \$ 54,699 | \$ 72,776 | \$ 54,036 |
| Additions: | | | | | | | | |
| R&R/OCO Contribution | 8,330 | 108,119 | 108,119 | - | 124,574 | 152,472 | 153,800 | 127,137 |
| Transfer from Capital Fds | 137 | 137 | 137 | - | - | - | - | - |
| Other | 2,984 | 8,050 | 8,050 | - | 30,889 | 8,858 | 10,610 | 11,044 |
| Sub-total | \$ 11,451 | \$ 116,306 | \$ 116,306 | \$ - | \$ 155,463 | \$ 161,330 | \$ 164,410 | \$ 138,181 |
| Deductions: | | | | | | | | |
| Capital Expenditures | 42,888 | 132,588 | 132,588 | - | 116,674 | 142,603 | 182,500 | 181,520 |
| Transfer to Capacity Fund | - | 86 | 86 | - | - | - | - | - |
| Transfer to Construction Fund | - | - | - | - | - | - | - | - |
| Other | 4,953 | 4,953 | 4,953 | - | 106 | 650 | 650 | 650 |
| Sub-total | \$ 47,841 | \$ 137,627 | \$ 137,627 | \$ - | \$ 116,780 | \$ 143,253 | \$ 183,150 | \$ 182,170 |
| Ending Balance | \$ 54,699 | \$ 54,699 | \$ 54,699 | N/A | \$ 76,020 | \$ 72,776 | \$ 54,036 | \$ 10,047 |

| | Historical | | | | | Statistical | | | |
|--------------------------|------------|-----------|-----------|-----------|------------|-------------|-----------|-----------|-----------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | Low | Median | Mean | High |
| Opening Balance | \$ 28,840 | \$ 64,260 | \$ 78,689 | \$ 59,295 | \$ 37,337 | \$ 28,840 | \$ 59,295 | \$ 53,684 | \$ 78,689 |
| Additions: | | | | | | | | | |
| R&R/OCO Contribution | 76,157 | 91,245 | 48,373 | 62,793 | 124,574 | 48,373 | 76,157 | 80,628 | 124,574 |
| Loans betw Capital Fds | - | - | - | 22 | - | - | - | 7 | 22 |
| Other (incl septic tank) | 5,771 | 1,539 | 1,614 | 653 | 30,889 | 653 | 1,614 | 8,093 | 30,889 |
| Sub-total | \$ 81,928 | \$ 92,784 | \$ 49,987 | \$ 63,468 | \$ 155,463 | | | | |
| Deductions: | | | | | | | | | |
| Capital Expenditures | 46,508 | 68,355 | 67,488 | 85,426 | 116,674 | 46,508 | 68,355 | 76,890 | 116,674 |
| Loan Repayment | - | - | - | - | - | - | - | - | - |
| Transfer to Constr. Fund | - | 10,000 | 1,893 | - | 106 | - | 1,000 | 3,000 | 10,000 |
| Other (incl septic tank) | - | - | - | - | - | - | - | - | - |
| Sub-total | \$ 46,508 | \$ 78,355 | \$ 69,381 | \$ 85,426 | \$ 116,780 | | | | |
| Ending balance | \$ 64,260 | \$ 78,689 | \$ 59,295 | \$ 37,337 | \$ 76,020 | \$ 37,337 | \$ 64,260 | \$ 63,120 | \$ 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, 2017

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 09/30/2017 | | Full Year | | | Projection | | |
|----------------------------|-------------------------|---------------|---------------|-------------|-------------------|------------|-----------|-----------|
| | Current Quarter | Year -to-Date | 2017 Forecast | 2017 Budget | Prior Year Actual | 2018 | 2019 | 2020 |
| Opening Balance | \$ 100,525 | \$ 103,411 | \$ 103,411 | N/A | \$ 90,912 | \$ 95,620 | \$ 55,673 | \$ 30,385 |
| Additions: | | | | | | | | |
| Capacity Fees | 6,288 | 24,777 | 24,777 | - | 21,995 | 21,381 | 21,641 | 21,959 |
| State Revolving Fd Loan | | | | | - | | | |
| Transfer from R&R/OCO Fund | - | 86 | 86 | - | 145 | 650 | 650 | 650 |
| Other | | | | | - | | | |
| Sub-total | \$ 6,288 | \$ 24,863 | \$ 24,863 | \$ - | \$ 22,140 | \$ 22,031 | \$ 22,291 | \$ 22,609 |
| Deductions: | | | | | | | | |
| Capital Expenditures | 11,193 | 32,654 | 32,654 | - | 9,648 | 61,978 | 47,579 | 49,677 |
| Other | | | | | - | | | |
| Sub-total | \$ 11,193 | \$ 32,654 | \$ 32,654 | \$ - | \$ 9,648 | \$ 61,978 | \$ 47,579 | \$ 49,677 |
| Ending Balance | \$ 95,620 | \$ 95,620 | \$ 95,620 | N/A | \$ 103,404 | \$ 55,673 | \$ 30,385 | \$ 3,317 |

| (In Thousands) | Historical | | | | | Statistical | | | |
|-------------------------|------------|-----------|-----------|-----------|------------|-------------|-----------|-----------|------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | Low | Median | Mean | High |
| Opening Balance | \$ 41,025 | \$ 45,454 | \$ 60,360 | \$ 76,887 | \$ 90,912 | \$ 41,025 | \$ 60,360 | \$ 62,928 | \$ 90,912 |
| Additions: | | | | | | | | | |
| Capacity Fees | 10,820 | 17,394 | 18,298 | 19,579 | 21,995 | 10,820 | 18,298 | 17,617 | 21,995 |
| State Revolving Fd Loan | 3,798 | - | - | | | - | - | 1,266 | 3,798 |
| Loan Repayments | - | - | - | 246 | 145 | - | - | 78 | 246 |
| Other | - | 12 | - | 5 | 7 | - | 5 | 5 | 12 |
| Sub-total | \$ 14,618 | \$ 17,406 | \$ 18,298 | \$ 19,830 | \$ 22,147 | | | | |
| Deductions: | | | | | | | | | |
| Capital Expenditures | 7,096 | 2,270 | 1,758 | 5,805 | 9,648 | 1,758 | 5,805 | 5,315 | 9,648 |
| Loans betw Capital Fds | - | | | | | - | - | - | - |
| Other | 3,093 | 230 | 13 | | | 13 | 230 | 1,112 | 3,093 |
| Sub-total | \$ 10,189 | \$ 2,500 | \$ 1,771 | \$ 5,805 | \$ 9,648 | | | | |
| Ending balance | \$ 45,454 | \$ 60,360 | \$ 76,887 | \$ 90,912 | \$ 103,411 | \$ 45,454 | \$ 76,887 | \$ 75,405 | \$ 103,411 |

Observations:

Water and Sewer Environmental

For the Fiscal Quarter Ending September 30, 2017

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 09/30/2017 | | Full Year | | | Projection | | |
|-----------------------------|-------------------------|---------------|---------------|-------------|-------------------|------------|-----------|-----------|
| | Current Quarter | Year -to-Date | 2017 Forecast | 2017 Budget | Prior Year Actual | 2018 | 2019 | 2020 |
| Opening Balance | \$ 644 | \$ 2,659 | \$ 2,659 | N/A | \$ - | \$ 1,839 | \$ 1,839 | \$ 1,839 |
| Additions: | | | | | | | | |
| Environmental Contributions | 3,403 | 12,394 | 12,394 | - | 15,539 | 12,697 | 18,395 | 11,638 |
| Loans betw Capital Fds | | | | | - | | | |
| Other | | | | | - | | | |
| Sub-total | \$ 3,403 | \$ 12,394 | \$ 12,394 | \$ - | \$ 15,539 | \$ 12,697 | \$ 18,395 | \$ 11,638 |
| Deductions: | | | | | | | | |
| Capital Expenditures | 2,208 | 13,214 | 13,214 | - | 12,880 | 12,697 | 18,395 | 11,638 |
| Septic Tank Phase Out | | | | | - | | | |
| Other | | | | | - | | | |
| Sub-total | \$ 2,208 | \$ 13,214 | \$ 13,214 | \$ - | \$ 12,880 | \$ 12,697 | \$ 18,395 | \$ 11,638 |
| Ending Balance | \$ 1,839 | \$ 1,839 | \$ 1,839 | N/A | \$ 2,659 | \$ 1,839 | \$ 1,839 | \$ 1,839 |

| (In Thousands) | Historical | | | | | Statistical | | | |
|-----------------------------|------------|------------|------------|-----------|-----------|-------------|--------|------------|----------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | Low | Median | Mean | High |
| Opening Balance | \$ 9,795 | \$ (8,158) | \$ (9,857) | \$ 5,299 | \$ - | \$ (9,857) | \$ - | \$ (584) | \$ 9,795 |
| Additions: | | | | | | | | | |
| Environmental Contributions | 21,747 | 21,193 | 21,018 | 22,056 | 15,539 | 15,539 | 21,193 | 20,311 | 22,056 |
| Loans betw Capital Fds | - | - | - | | | - | - | - | - |
| Other | | | | | | - | - | - | - |
| Sub-total | \$ 21,747 | \$ 21,193 | \$ 21,018 | \$ 22,056 | \$ 15,539 | | | | |
| Deductions: | | | | | | | | | |
| Capital Expenditures | 39,700 | 22,892 | 5,862 | 7,318 | 12,880 | 5,862 | 12,880 | 17,730 | 39,700 |
| Septic Tank Phase Out | | | | 203 | | 203 | 203 | 203 | 203 |
| Other | | | | 19,834 | | 19,834 | 19,834 | 19,834 | 19,834 |
| Sub-total | \$ 39,700 | \$ 22,892 | \$ 5,862 | \$ 27,355 | \$ 12,880 | | | | |
| Ending balance | \$ (8,158) | \$ (9,857) | \$ 5,299 | \$ - | \$ 2,659 | \$ (9,857) | \$ - | \$ (2,011) | \$ 5,299 |

Observations:

Water and Sewer Construction / Bond Fund

For the Fiscal Quarter Ending September 30, 2017

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 09/30/2017 | | Full Year | | | Projection | | |
|----------------------------|-------------------------|---------------|---------------|-------------|-------------------|------------|------|------|
| | Current Quarter | Year -to-Date | 2017 Forecast | 2017 Budget | Prior Year Actual | 2018 | 2019 | 2020 |
| Opening Balance | \$ 152 | \$ 152 | \$ 152 | N/A | \$ 664 | \$ 15 | \$ - | \$ - |
| Additions: | | | | | | | | |
| Bond Proceeds | | | - | - | - | | | |
| Line of Credit | | | - | - | - | | | |
| Transfer from R&R/OCO Fund | | | | | | | | |
| Other | | | | | 17 | | | |
| Sub-total | \$ - | \$ - | \$ - | \$ - | \$ 17 | \$ - | \$ - | \$ - |
| Deductions: | | | | | | | | |
| Capital Expenditures | | | | | - | | | |
| Bond Proceeds | | | | | - | | | |
| Other | 137 | 137 | 137 | - | 529 | 15 | | |
| Sub-total | \$ 137 | \$ 137 | \$ 137 | \$ - | \$ 529 | \$ 15 | \$ - | \$ - |
| Ending Balance | \$ 15 | \$ 15 | \$ 15 | N/A | \$ 152 | \$ - | \$ - | \$ - |

| (In Thousands) | Historical | | | | | Statistical | | | |
|------------------------|------------|-----------|----------|--------|--------|-------------|----------|----------|-----------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | Low | Median | Mean | High |
| Opening Balance | \$ 29,622 | \$ 7,419 | \$ 2,305 | \$ 326 | \$ 664 | \$ 326 | \$ 2,305 | \$ 8,067 | \$ 29,622 |
| Additions: | | | | | | | | | |
| Bond Proceeds | - | 486 | - | - | - | - | - | 162 | 486 |
| Line of Credit | - | - | - | - | - | - | - | - | - |
| Loans/trnsf btw CapFds | - | 10,000 | 1,893 | - | - | - | 1,893 | 3,964 | 10,000 |
| Other | - | 3 | 476 | 344 | 17 | - | 17 | 168 | 476 |
| Sub-total | \$ - | \$ 10,489 | \$ 2,369 | \$ 344 | \$ 17 | | | | |
| Deductions: | | | | | | | | | |
| Capital Expenditures | 20,243 | 14,855 | 3,784 | 6 | | 6 | 9,320 | 9,722 | 20,243 |
| Bond Proceeds | - | 411 | 48 | | | - | 48 | 153 | 411 |
| Line of Credit | - | - | - | | | - | - | - | - |
| Loans/trnsf btw CapFds | - | 337 | 516 | | | - | 337 | 284 | 516 |
| Other | 1,960 | - | - | | 529 | - | 265 | 622 | 1,960 |
| Sub-total | \$ 22,203 | \$ 15,603 | \$ 4,348 | \$ 6 | \$ 529 | | | | |
| Ending balance | \$ 7,419 | \$ 2,305 | \$ 326 | \$ 664 | \$ 152 | \$ 152 | \$ 664 | \$ 2,173 | \$ 7,419 |

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. D.

JEA Energy Market Risk Management Policy Report



Building Community

AGENDA ITEM SUMMARY

November 16, 2017

| | |
|-----------------|--|
| SUBJECT: | JEA ENERGY MARKET RISK MANAGEMENT POLICY REPORT |
|-----------------|--|

| | | | |
|-----------------|--|--|---|
| Purpose: | <input checked="" type="checkbox"/> Information Only | <input type="checkbox"/> Action Required | <input type="checkbox"/> Advice/Direction |
|-----------------|--|--|---|

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: No action is required by the Board; received for information only and as required by the EMRM Policy.

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

II. D.
12/5/2017
F&AC

| Summary as of 11/3/2017 | | |
|---|--------|----|
| Projected FY18 Expense (Budget = \$431M) | \$443M | ☹️ |
| Projected FY18 Fuel Fund Balance FY18 (\$95M) | \$89M | ☹️ |
| EMRM Compliance | Yes | 😊 |
| Counterparty Credit Limit Exceptions | No | 😊 |
| Any Issues of Concern | No | 😊 |

Table 1: Physical Counterparties (Contracts One Year or Greater) as of 11/1/2017

| Generating Unit | Fuel Type | Supplier/ Counterparty | Contract Type | Remaining Contract Value | Remaining Contract Term |
|-----------------|-------------|------------------------------|----------------------------|--------------------------|-------------------------|
| Scherer 4 | Coal | Contura Eagle Butte | Fixed Price | \$ 728,739 | 2 months |
| Scherer 4 | Coal | Coal Sales, LLC | Fixed Price | \$ 319,931 | 2 months |
| Scherer 4 | Coal | Arch Coal Sales Company, Inc | Fixed Price | \$ 59,567 | 2 months |
| Scherer 4 | Coal | CY18 Contura Eagle Butte | Fixed Price | \$ 2,657,078 | 12 months |
| Scherer 4 | Coal | CY19 Contura Eagle Butte | Fixed Price | \$ 2,806,870 | 12 months |
| NG Fleet | Natural Gas | Shell Energy | Index w/Fixed Price Option | \$ 231,682,514 | 3.58 years |

Table 2: Financial Positions as of 11/1/2017

| Year | Commodity | Physical Volume (mmBtu) | Hedged Volume (mmBtu) | Percent Hedged | Unhedged Cost (\$/mmBtu) | Hedge Type | Hedge Price | Mark-to-Market Value | Counter Party |
|------|-------------|-------------------------|-----------------------|----------------|--------------------------|------------|-------------|----------------------|---------------|
| FY18 | Natural Gas | 45,443,700 | - | 0.0% | \$2.92 | - | - | - | - |
| FY19 | Natural Gas | 48,892,300 | - | 0.0% | \$2.91 | - | - | - | - |
| FY20 | Natural Gas | 59,430,900 | - | 0.0% | \$2.85 | - | - | - | - |

Table 3: Fuel Procurement as of 11/1/2017

| Fuel Type | Coal | Petcoke | Oil/Diesel | Purchased Power | Natural Gas | Renewables |
|---------------------|-------|---------|------------|-----------------|-------------|------------|
| FY18 Remaining | | | | | | |
| Expected Spend (\$) | 81.9M | 52.2M | 0.9M | 51.8M | 135.3M | 13.8M |
| % Procured | 87% | 29% | 100% | 53% | 45% | 100% |
| % Hedged | 87% | 8% | 100% | 0% | 0% | 100% |
| FY19 | | | | | | |
| Expected Spend (\$) | 75.7M | 53.0M | 2.1M | 65.6M | 145.7M | 14.0M |
| % Procured | 44% | 9% | 100% | 56% | 46% | 100% |
| % Hedged | 44% | 9% | 100% | 0% | 0% | 100% |
| FY20 | | | | | | |
| Expected Spend (\$) | 73.3M | 55.3M | 2.7M | 31.9M | 173.5M | 13.7M |
| % Procured | 43% | 9% | 100% | 29% | 38% | 100% |
| % Hedged | 43% | 9% | 100% | 0% | 0% | 100% |

Supporting Notes:

- Renewable Power Purchase Agreements are not included in Table 1
- Natural Gas Transportation is 100% fixed capacity and price
- Solid fuel procurement – annually and quarterly at Northside; CY2018/19 for Scherer
- FY18 Energy Mix: 47% Gas, 36% Solid Fuel, 17% Purchase Power expected (based on MWH)
- In Table 3, the procured percent relates to inventory on hand, or contracted and the percent hedged is inventory on hand or contracted with fixed pricing or financial hedges

II. E.

Ernst & Young FY2017 External Audit Report



Building Community

AGENDA ITEM SUMMARY

November 14, 2017

| | |
|-----------------|---|
| SUBJECT: | ERNST & YOUNG FY2017 EXTERNAL AUDIT REPORT |
|-----------------|---|

| | | | |
|-----------------|--|--|---|
| Purpose: | <input checked="" type="checkbox"/> Information Only | <input type="checkbox"/> Action Required | <input type="checkbox"/> Advice/Direction |
|-----------------|--|--|---|

Issue: Ernst & Young, LLP (E&Y) presented their audit plan for FY2017 at the Finance and Audit Committee (FAC) meeting on August 7, 2017. 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 FY2017 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 5, 2017 Finance and Audit Committee meeting to discuss the FY2017 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: There is no cost. 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 |
|---|--|---|

Commitments to Action

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



INTER-OFFICE MEMORANDUM

November 14, 2017

SUBJECT: Ernst & Young FY2017 External Audit Report

FROM: Paul E. McElroy, Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair
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 2017 at the Finance and Audit Committee (FAC) meeting on August 7, 2017. 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 2017 audit. Representatives from E&Y have been invited to attend the December 5, 2017 Finance and Audit Committee meeting to discuss FY2017 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

City of Jacksonville General Employees Retirement Plan

Audit Report on Schedules of Pension-Related Amounts

September 30, 2016



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRIcpa.com



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

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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, 2016, (the "Schedule") and the related notes. We have also audited the columns titled net pension liability at September 30, 2016, 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, 2016, 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, 2016, 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, 2016, 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.

Cam, Riggs & Ingram, L.L.C.

Gainesville, Florida
October 4, 2017

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

September 30, 2016

| Entity | Employer Contributions | Proportion of Net Pension Liability | Net Pension Liability |
|--|---------------------------|---|-----------------------------|
| City of Jacksonville | \$ 40,424,000 | 47.61% | \$ 511,379,968 |
| JEA | 42,765,000 | 50.37% | 541,025,184 |
| Jacksonville Housing Authority | 1,558,000 | 1.84% | 19,763,477 |
| North Florida Transportation Planning Organization | 151,000 | 0.18% | 1,933,384 |
| Total | \$ 84,898,000 | 100.00% | \$ 1,074,102,013 |

See accompanying notes.

City of Jacksonville General Employees Retirement Plan
Schedule of Collective Pension Amounts
As of and for the year ended September 30, 2016

| Entity | Deferred Outflows of Resources | | | | | | | | | | Deferred Inflows of Resources | | | | | | | |
|--|--|--|----------------------|--|----------------------|------------------------|---------------------|-----------------------|----------------------|--------------------------------------|-------------------------------|--|--|-----------------------|--|-------------------------------------|--|----------------------|
| | Net Pension Liability September 30, 2016 | Net Difference Between Projected and Actual Earnings on Pension Plan Investments | | Differences Between Expected and Actual Experience | | Changes of Assumptions | | Changes in Proportion | | Total Deferred Outflows of Resources | | Differences Between Expected and Actual Experience | | Changes in Proportion | | Total Deferred Inflows of Resources | | Pension Plan Expense |
| | | | | | | | | | | | | | | | | | | |
| City of Jacksonville | \$ 511,379,968 | \$ 22,986,130 | \$ 23,019,184 | \$ 47,127,069 | \$ - | \$ - | \$ 93,132,383 | \$ 2,386,931 | \$ 12,344,456 | \$ 5,154,580 | \$ 19,885,967 | \$ 64,903,033 | | | | | | |
| JEA | 541,025,184 | 24,318,660 | 24,353,629 | 49,859,073 | 9,599,241 | 108,130,603 | 2,525,302 | 2,525,302 | - | 5,453,397 | 7,978,699 | 74,849,413 | | | | | | |
| Jacksonville Housing Authority | 19,763,477 | 888,353 | 889,630 | 1,821,336 | 2,694,534 | 6,293,853 | 92,248 | 92,248 | 401,100 | 199,211 | 692,559 | 3,440,070 | | | | | | |
| North Florida Transportation Planning Organization | 1,933,384 | 86,904 | 87,029 | 178,174 | 451,781 | 803,888 | 9,024 | 9,024 | - | 19,488 | 28,512 | 403,496 | | | | | | |
| Total | \$ 1,074,102,013 | \$ 48,280,047 | \$ 48,349,472 | \$ 98,985,652 | \$ 12,745,556 | \$ 208,360,727 | \$ 5,013,505 | \$ 12,745,556 | \$ 10,826,676 | \$ 28,585,737 | \$ 143,596,012 | | | | | | | |

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 (the Plan). 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 Plan 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 Plan. 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 Plan upon employment.

As of September 30, 2016, the General Employees Retirement Plan membership consisted of the following:

| | |
|---|------------|
| Retirees and beneficiaries currently receiving benefits | 5,065 |
| Terminated employees vested, not yet receiving benefits | 217 |
| Active employment plan members: | |
| Vested | 3,687 |
| Non-vested | <u>991</u> |
| Total plan membership | 9,960 |

The Plan 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 Plan 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 are a specific element of the City's financial statements and 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 to the extent that they relate to the accompanying schedules.

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, 2016. This basis is intended to measure the proportion of each entity's long term funding requirements.



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 | \$ 2,903,344,013 |
| Plan fiduciary net position | 1,829,242,000 |
| <hr/> | |
| Net pension liability | <u>\$ 1,074,102,013</u> |

The total pension liability was determined as of a measurement date of September 30, 2016, using an actuarial valuation date of October 1, 2016, and the following actuarial assumptions, applied to all periods included in the measurement:

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)

| | |
|------------------------------------|---|
| 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 | 7.40%, net of pension plan investment expense, including inflation. |
| Pre-retirement mortality rates | 50% RP2000 Combined Healthy White Collar and 50% RP2000 Combined Healthy Blue Collar, set forward 2.5 years, projected generationally with Scale BB for males; RP2000 Combined Healthy White Collar, set forward 2.5 years, projected generationally with Scale BB for females. |
| Healthy annuitant mortality rates | 50% RP2000 White Collar Annuitant and 50% RP2000 Blue Collar Annuitant, set forward 2.5 years, projected generationally with Scale BB for males; RP2000 White Collar Annuitant, set forward 2.5 years, projected generationally with Scale BB for females. |
| Disabled annuitant mortality rates | RP-2000 Disabled Retiree Mortality Table, setback four years for males and set forward two years for females |

The actuarial assumptions used in the October 1, 2016 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, 2016.

The following changes in key actuarial assumptions occurred in 2016:

- The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.50% to 7.40%.
- The pre-retirement mortality rate tables changed from RP-2014 Employee Mortality Table, set forward four years for males and three years for females, projected generationally with Scale MP-2015 to 50% RP2000 Combined Healthy White Collar and 50% RP2000 Combined Healthy Blue Collar, set forward 2.5 years, projected generationally with Scale BB for males; RP2000 Combined Healthy White Collar, set forward 2.5 years, projected generationally with Scale BB for females.

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 healthy annuitant mortality rates changed from RP-2014 Healthy Annuitant Mortality Table, set forward four years for males and three years for females, projected generationally with Scale MP-2015 to 50% RP2000 White Collar Annuitant and 50% RP2000 Blue Collar Annuitant, set forward 2.5 years, projected generationally with Scale BB for males and RP2000 White Collar Annuitant, set forward 2.5 years, projected generationally with Scale BB for females.
- The disabled annuitant mortality rates changed from RP-2014 Disabled Retiree Mortality Table, set forward four years projected generationally with Scale MP-2015 to RP-2000 Disabled Retiree Mortality Table, setback four years for males and set forward two years for females.

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, 2016 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% | 6.71% |
| International equity | 20% | 7.71% |
| Fixed income | 19% | 2.11% |
| Real estate | 25% | 5.21% |
| Cash | 1% | 1.10% |
| Total | 100% | |

Discount Rate

The discount rate used to measure the total pension liability is 7.40%. 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.

**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)

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.

| Proportional share of the Net Pension Liability | 1% Decrease (6.40%) | Current Discount (7.40%) | 1% Increase (8.40%) |
|--|--------------------------------|-------------------------------------|--------------------------------|
| City of Jacksonville | \$ 674,110,906 | \$ 511,379,968 | \$ 375,610,599 |
| JEA | \$ 713,189,798 | \$ 541,025,184 | \$ 397,385,127 |
| Jacksonville Housing Authority | \$ 26,052,595 | \$ 19,763,477 | \$ 14,516,352 |
| North Florida Transportation Planning Organization | \$ 2,548,623 | \$ 1,933,384 | \$ 1,420,078 |

Plan Fiduciary Net Position

The Plan's fiduciary net position as a percentage of total pension liability is 63.00%.

NOTE 4 – INVESTMENTS

Fair Value Measurements

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

NOTE 4 – INVESTMENTS (CONTINUED)

| Investment Type | Total Fair Value | Quoted Prices in Active Markets For Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|------------------------------------|----------------------|---|---|---|
| Corporate Stock - Common | 620,581,701 | 620,581,701 | - | - |
| Corporate Stock - Preferred | 347,795 | 347,795 | - | - |
| Registered Investment Companies | 40,753,203 | 40,753,203 | - | - |
| U.S. Government Securities | 87,980,319 | 39,314,619 | 48,665,700 | - |
| Corporate Debt Instruments | 107,798,827 | - | 107,798,827 | - |
| Common/Collective Trust | 251,417,264 | - | - | 251,417,264 |
| Partnership/Joint Venture Interest | 383,555,520 | 62,281,187 | - | 321,274,333 |
| Pooled Separate Accounts | 146,083,473 | - | - | 146,083,473 |
| *Other Investments | 190,723,898 | 1,602,461 | 1,513,382 | 187,608,055 |
| | <u>1,829,242,000</u> | <u>764,880,966</u> | <u>157,977,909</u> | <u>906,383,125</u> |

*Composed on 103-12 Investments, Other Short Term Bonds, Derivatives, and Cash/Dividend/Interest/Misc. Payables/Pending Trades as of 9/30/16.

The Plan has the following recurring fair value measurements as of September 30, 2016:

- Corporate Stock (Common) – Valued using the primary exchange close price.
- Corporate Stock (Preferred) – Valued using prevailing market bids and based upon calculations that reflect the expected price to an investor in an orderly transaction.
- Registered Investment Co. – Valued at the daily closing net asset value (NAV) as reported by the fund and as supplied by third party vendors to the Plan’s custodian. Short term fixed income investment funds (security maturities that do not exceed one year) may be valued using book value.
- U.S. Government Securities – Short term US government fixed income securities (with maturities that do not exceed one year) are valued using book value. Securities with maturities greater than one year are valued using prevailing market bids and based upon calculations that reflect the expected price to an investor in an orderly transaction.
- Corporate Debt Instruments – Short term corporate debt securities (with maturities that do not exceed one year) are valued using book value. Securities with maturities greater than one year are valued using prevailing market bids or a measurable market close and are based upon calculations that reflect the expected price to an investor in an orderly transaction.
- Common/Collective Trusts – Valued based on an appraisal or calculated and assigned by a general or managing partner of the vehicle in which the security is held.
- Partnership/Joint Venture Interests – Underlying equity investments valued using the primary exchange close price. Underlying non-equity investments valued based on an appraisal or calculated and assigned by a general or managing partner of the vehicle in which the investment is held.
- Pooled Separate Accounts – Valued based on an appraisal or calculated and assigned by a general or managing partner of the vehicle in which the investment is held.

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

NOTE 4 – INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is controlled primarily through duration, which is a measure that approximates the change in value of a bond, or bond portfolio, for a given change in interest rates. In general, shorter duration measures are less sensitive to interest rate shifts, while longer durations are more sensitive. To limit the portfolio volatility associated with changes in interest rates, the Plan's investment policy statement restricts the average duration of the overall portfolio to a range of 0.75 – 5.00 years, of which, no more than 7.5% of the individual securities in the portfolio can have a duration greater than 8.5 years. This guideline applies to all investment types underlying the portfolio including, but not limited to, government, agency, corporate, international, and mortgage backed securities.

Credit Quality

The portfolio measures credit quality of the fixed income holdings contained therein using Moody's rating schedule. Credit quality is reported on a quarterly basis and is monitored by the Pension Board of Trustees, staff to the board, and by the plan's consultant. Credit quality reports are provided on the overall portfolio to illustrate the credit risk at fiscal-year end.

| Quality breakdown | Portfolio (%) |
|-------------------|---------------|
| Aaa | 38% |
| Aa1-Aa3 | 11% |
| A1-A3 | 14% |
| Baa1-Baa3 | 18% |
| Ba1-Ba3 | 4% |
| Commingled | 15% |
| | 100% |

Rating definitions:

Treasury – United States Treasury Securities (Included in Aaa)

Agency – Government Agency Securities (Included in Aaa)

Aaa (AAA) – Highest Investment Grade Quality Rating

Aa1-Aa3 (AA+ to AA-) – Medium Investment Grade Quality Rating

A1-A3 (A+ to A-) – Medium Low Investment Grade Quality Rating

Baa1-Baa3 (BBB+ to BBB-) – Lowest Investment Grade Quality Rating

Ba1-Ba3 (BB+ to BB-) – Highest Non-Investment Grade Quality Rating

Commingled – Securities that are not applicable to Quality Ratings – they predominantly represent mutual funds that are listed and valued as a whole, not individual holdings, as well as minor exposure to non-investment grade securities.

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

NOTE 4 – INVESTMENTS (CONTINUED)

Custodial Credit Risk

The custodial relationship is governed by written agreements that are executed by all parties and specifies that, all securities owned and cash held by the Plan shall be held in the City's, or its nominee's, name in an account separate from all other accounts maintained by the custodian and shall at all times, while in the custody of the Custodian, be designated as an asset of the City's Pension Trust.

Foreign Currency

The City has nominal exposure to foreign currencies due to investments in non-U.S. markets implemented through our money managers' portfolios. Foreign currencies will fluctuate relative to the U.S. dollar, but it is believed that the diversification benefits outweigh potential risks. Given the limited exposure, foreign currency risk is considered minor.

| | Exposure | Percentage |
|--------------------|---------------|------------|
| U.S. Dollar | 1,829,005,169 | 99.99% |
| Swiss Franc | 215,481 | 0.01% |
| Japanese Yen | 10,608 | 0.00% |
| Euro Currency Unit | 7,053 | 0.00% |
| Swedish Krona | 3,689 | 0.00% |
| | 1,829,242,000 | 100% |



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October 4, 2017

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, L.L.C.

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, 2016;
- 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, 2016, and have issued our report thereon dated October 4, 2017. 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 June 8, 2017, 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. |

Required Communications

| MATTER TO BE COMMUNICATED | AUDITOR'S RESPONSE |
|---|---|
| <p>Major issues discussed with management prior to retention</p> <p><i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p> | None. |
| <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. |

Summary of Audit Adjustments

During the course of our audit, we accumulate differences between amounts recorded by the Plan and amounts that we believe are required to be recorded under GAAP reporting guidelines. Those adjustments are either recorded (corrected) by the Plan or passed (uncorrected).

There were no adjustments, either corrected or uncorrected, as a result of our audit procedures.

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the Plan's operating environment that has been identified as playing a significant role in the Plan's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.



Carr, Riggs & Ingram, LLC
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October 4, 2017

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, 2016, 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.

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 Recommendations

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 |
|-----------------------------------|-----------------------------------|--|-----------------------------------|

| ITEM | RATING | AREA | ITEM NOTED | SUGGESTION |
|------|--------|-------------|--|---|
| 1 | D | Census data | When testing the September 30, 2016 year-end census data errors were noted relating to: the date of birth of a participant, the eligible compensation of a participant, the date of birth of a beneficiary, the amount of COLA earned by a participant, and the date a participant joined the plan. 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. |



**ONE CITY. ONE
JACKSONVILLE.**

City of Jacksonville, Florida

Lenny Curry, Mayor

City Hall at St. James
117 W. Duval St.
Jacksonville, FL 32202
(904) 630-CITY
www.coj.net

October 4, 2017

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 (the "Plan") as of September 30, 2016, for the purpose of expressing an opinion as to whether the Schedule of Employee Allocations and Schedule of Collective Pension Amounts is 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

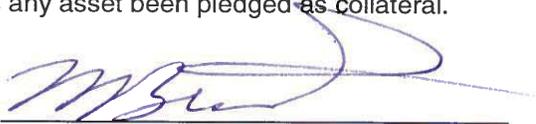
- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 8, 2017, including our responsibility for the preparation and fair presentation of the Schedules of Pension-Related Amounts.
- 2) The Schedules of Pension-Related Amounts referred to above is 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. The Plan has not consulted with any attorney's during the year and as any related matters are handled by the City.
- 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 Plan 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: _____



Title: _____

Dir. of Fin. and Admin / CFO

Signature: _____



Title: _____

Treasurer

II. E.

Ernst & Young FY2017 External Audit Report

The FY2017 External Audit Report will be available electronically on December 1, 2017. A hard copy will be provided to Committee Members at the December 5, 2017 meeting.