



**JEA  
FINANCE & AUDIT COMMITTEE AGENDA**

**DATE:** March 12, 2018  
**TIME:** 8:00 – 10:00 AM  
**PLACE:** 21 W. Church Street  
 8<sup>th</sup> Floor

			<b>Responsible Person</b>	<b>Action (A) Info (I)</b>	<b>Total Time</b>
<b>I.</b>	<b>OPENING CONSIDERATIONS</b>		Kelly Flanagan		
	A.	Call to Order			
	B.	Adoption of Agenda		A	
	C.	Approval of Minutes – December 5, 2017	Melissa Charleroy	A	
<b>II.</b>	<b>NEW BUSINESS</b>				
	A.	FY2019 Budget Assumptions	Melissa Dykes/Ryan Wannemacher	I	30 mins.
	B.	JEA Annual Disclosure Policy Report	Melissa Dykes	I	10 mins.
	C.	Dark Fiber Utility Services for the 21 <sup>st</sup> Century Digital Utility	Paul Cosgrave	A	10 mins.
	D.	Quarterly Audit Services Update	Steve Tuten	I	5 mins.
	E.	Ethics Officer Quarterly Report	Walette Stanford	I	5 mins.
	F.	Treasury			
	1.	Electric System and Water and Sewer System Reserve Fund Quarterly Report	Joe Orfano	I	5 mins.
	2.	Recap of Recent JEA Water and Sewer System and Electric System Fixed Rate Debt Refunding Delegated Transactions	Joe Orfano	I	5 mins.
	G.	JEA Energy Market Risk Management Policy Report	Mike Brost	I	5 mins.
	H.	Announcements			
	1.	Next Meeting, May 7, 2018, 8:00 – 10:00 AM			
	I.	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

JEA FINANCE & AUDIT COMMITTEE MINUTES  
December 5, 2017

The Finance & Audit Committee of JEA met on Tuesday, December 5, 2017, in the 8<sup>th</sup> Floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida.

**Agenda Item I – Opening Considerations**

- A. Call to Order – Committee Chair Kelly Flanagan called the meeting to order at 12:00 PM with Member Husein Cumber in attendance telephonically. Others in attendance were Paul McElroy, Melissa Dykes, Jody Brooks, Ted Hobson, Kerri Stewart, Brian Roche, Steve McInall, Steve Tuten, Janice Nelson, Ryan Wannemacher, Walette Stanford and Judi Spann. John DiSanto and Russ Jeans, Ernst & Young, 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 December 12, 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 August 7, 2017 Minutes were received for information.

**Agenda Item II – New Business**

- A. Audit Services – Quarterly ERM/Audit Update – Steve Tuten, Director, Audit Services, provided an update to the Committee regarding staffing, Internal Audit team highlights, progress of the FY17 and FY18 Internal Audit Plans, open audit and investigation report issues, Enterprise Risk Management (ERM) highlights, risks and trend report, and the Ethics Hotline Report. This presentation was received for information.
- B. Ethics Officer Quarterly Report – Walette Stanford, Ethics Officer and Director, Workforce Strategies, provided an update regarding FY17/FY18 ethics inquiries, FY17/FY18 gift registry, five-year review of Ethics Officer cases and an update on Business Ethics training. This presentation was received for information.
- C. Treasury
1. Electric System and Water and Sewer System Reserve Fund Quarterly Report – Joe Orfano, Treasurer, reviewed the Electric System and Water and Sewer System Reserve Fund Quarterly Report, which was received for information.
- D. 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.
- E. Ernst & Young FY2017 External Audit Report – John DiSanto, Partner, Ernst & Young (EY) introduced Mr. Russ Jeans, Senior Manager, EY. Mr. DiSanto presented an overview of the 2017 Audit Report and Management Letter, copies of which were provided to Committee Members, along with a draft copy of JEA's Audited Financial Statements. Mr. DiSanto extended appreciation for outstanding the cooperation and communication between JEA staff, EY, and the City of Jacksonville auditors. Committee Chair Flanagan and Mr. Cumber extended their appreciation to JEA management and EY staff.
- F. Announcements
1. The next Finance and Audit Committee meeting will be held on March 12, 2018, at 8:00 AM. Mr. McElroy stated that staff met with the Rating Agencies on November 29,

2017. Mr. McElroy provided a brief overview of the meetings and stated he will share the ratings at the upcoming Board Meeting on December 12, 2017.

G. Committee Discussion Sessions

1. Ernst & Young – At 12:36 PM, Committee Chair Flanagan dismissed staff and the Committee held a general conversation with Mr. DiSanto.
2. Director, Audit Services – At 12:44 PM, 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**

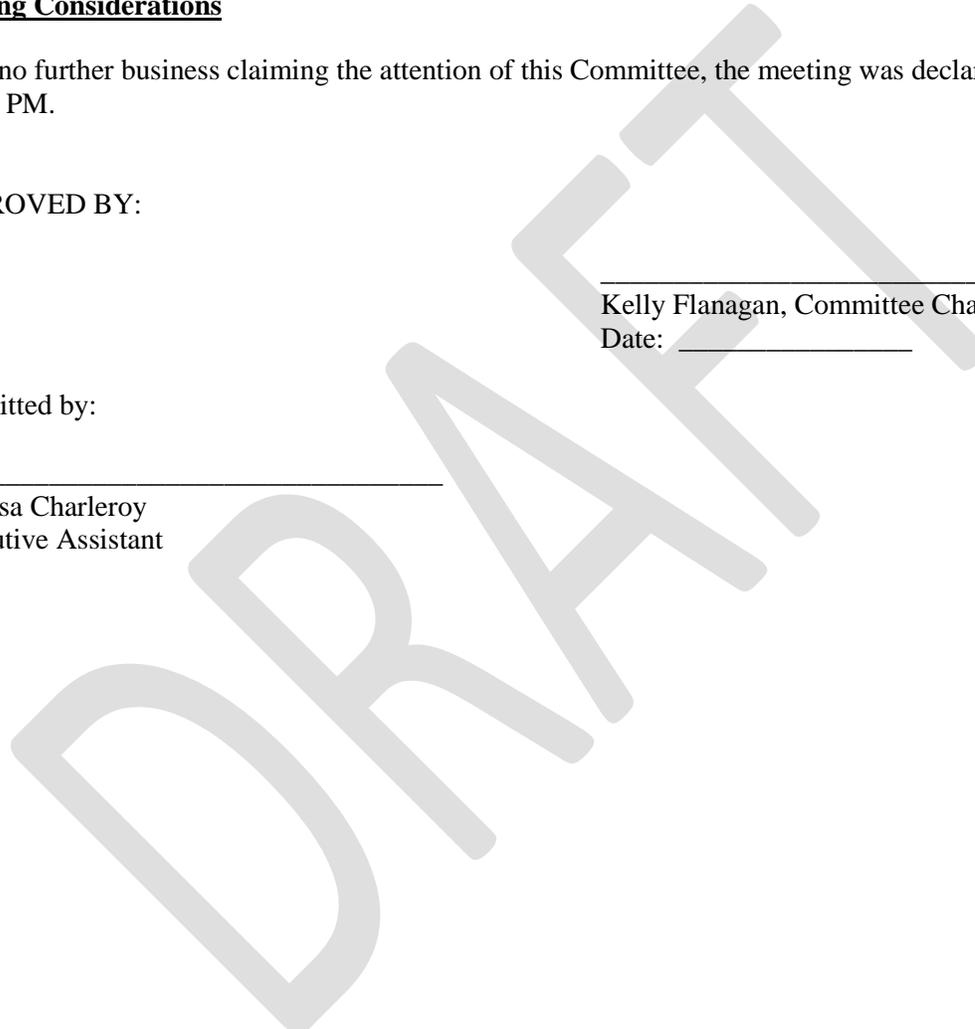
With no further business claiming the attention of this Committee, the meeting was declared adjourned at 12:45 PM.

APPROVED BY:

\_\_\_\_\_  
Kelly Flanagan, Committee Chair  
Date: \_\_\_\_\_

Submitted by:

\_\_\_\_\_  
Melissa Charleroy  
Executive Assistant



**II. A.**

**FY2019 Budget Assumptions**



Building Community

**AGENDA ITEM SUMMARY**

February 26, 2018

<b>SUBJECT:</b>	<b>FY2019 BUDGET ASSUMPTIONS</b>
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<b>Purpose:</b>	<input checked="" type="checkbox"/> Information Only	<input type="checkbox"/> Action Required	<input checked="" type="checkbox"/> Advice/Direction
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**Issue:** Present the key strategic issues, risks, major challenges and assumptions for the FY2019 Budget, to the Finance and Audit Committee for feedback and direction.

**Significance:** High. Key strategic issues and risks, major challenges, and assumptions significantly impact the FY2019 Budget.

**Effect:** The budget process is integral to JEA's strategic planning, financial performance and resulting metrics.

**Cost or Benefit:** The Committee provides feedback and direction regarding the key strategic issues, risks, major challenges, and assumptions for the FY2019 Budget covering: revenue; fuel revenue and expense; O&M expense levels; interest rates and the resulting financial metrics; capital expenditures and related financing plan.

**Recommended Board action:** Staff is providing this presentation for the Committee's consideration and requests feedback and direction regarding the FY2019 Budget.

**For additional information, contact:** Melissa Dykes

Submitted by: PEM/ MHD/ KMQ

<b>MISSION</b>  Energizing our community through high-value energy and water solutions.	<b>VISION</b>  JEA is a premier service provider, valued asset and vital partner in advancing our community.	<b>VALUES</b> <ul style="list-style-type: none"><li>• Safety</li><li>• Service</li><li>• Growth<sup>2</sup></li><li>• Accountability</li><li>• Integrity</li></ul>
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**Commitments to Action**

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

# FY2019 Budget

## Review of Key Issues, Risks, Challenges and Assumptions

Finance & Audit Committee

March 12, 2018

# Agenda

**Strategic Issues and Risks**

**Key Assumptions**

**Electric System Budget Assumptions**

**Water and Sewer System Budget Assumptions**

**Government Transfers via the JEA Bill**

# FY2019 Budget: Strategic Issues and Risks

## Strategic Plan Implementation – Emphasizing Business Excellent Opportunities

- Continue to drive business excellence through the EAM program and process improvements
- Remain focused on customer loyalty
- Build on momentum toward building an unbeatable team
- Utilize JEA Smart Grid Architecture for automation of business processes

## Workforce Readiness

- Succession Planning
- Performance management
- Workforce diversity
- Technology focused

## Financial Performance and Flexibility

- Fuel supply and pricing flexibility
- Strong focus on expense management – strategic opportunities
- Utilizing internal funds for robust capital investment in both Electric and Water and Sewer Systems

## Evolution of the Electric Industry and Constraints on Electric Generation

- Customer Benefit Programs and rate structures
- Zero carbon energy investments
- Rightsizing long-term electric generation
- Next generation uses of Smart Meters

## Water Resource Management and Health of the St. Johns River

- CUP<sup>1</sup> Compliance – Reclaim, conservation programs, minimum flow and levels (MFL)
- TMDL<sup>2</sup> goal attainment
- Sewer system resiliency

<sup>1</sup> CUP - Consumptive Use Permit

<sup>2</sup> TMDL - Total Maximum Daily Load - Nitrogen discharge to St. Johns River

# Agenda

Strategic Issues and Risks

**Key Assumptions**

Electric System Budget Assumptions

Water and Sewer System Budget Assumptions

Government Transfers via the JEA Bill

# FY2019 Budget: Key Assumptions

## Revenue Projections

- Economic activity continues to improve
- Net customer account annual growth at 1.7% for Electric and 2.5% for Water
- Annual Electric unit sales projected to be 12.6 million MWh, 1.2% higher than FY2018 assumption
- Annual Water unit sales projected to be 40 million kGal, flat to FY2018 assumption

## Fuel and Purchased Power Costs

- FY2019 projection reflects lower solid fuel and higher natural gas expenses
- FY2019 year-end fuel reserve balances projected to be 9% of target expense
- Fuel Hedges for Natural Gas in place through Calendar Year 2018
- Will continue to monitor projected fuel reserve balance

## Labor Costs

- Bargaining unit wages reflect negotiated contracts through FY2019
- Pension costs set equal to FY2018 levels as pension reform was completed in FY2017
- Staffing risks mitigated with continuation of Workforce Readiness and Succession Planning initiative

# Agenda

## Strategic Issues and Risks

## Key Assumptions

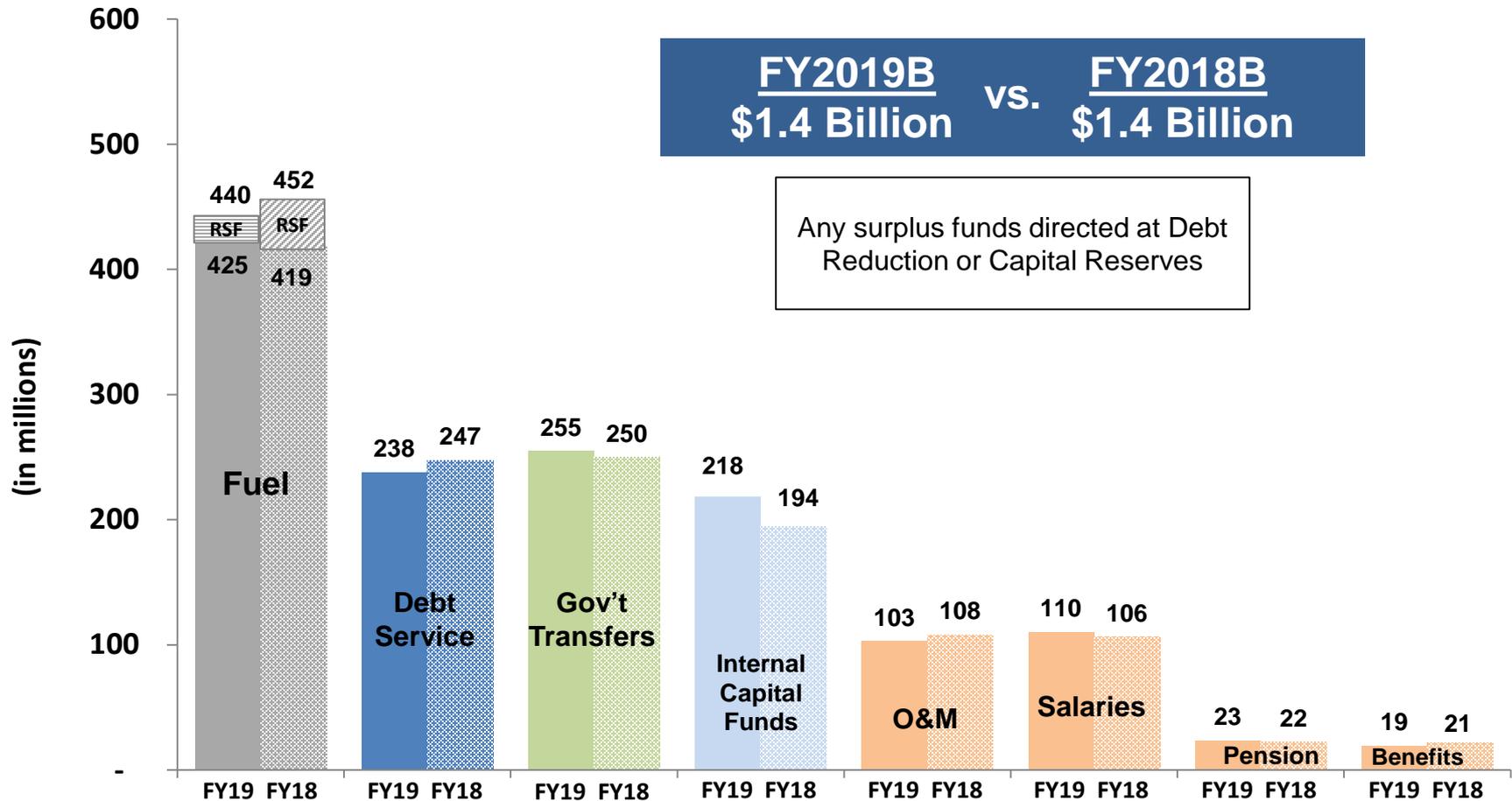
### Electric System Budget Assumptions

- Customer Electric Bill by Expense Category
- Revenue Drivers
- Fuel Rate
- Operating Expenses
- Capital Funding – Debt Service, Operating Capital Outlay, and Renewal & Replacement
- Debt Service

## Water and Sewer System Budget Assumptions

## Government Transfers via the JEA Bill

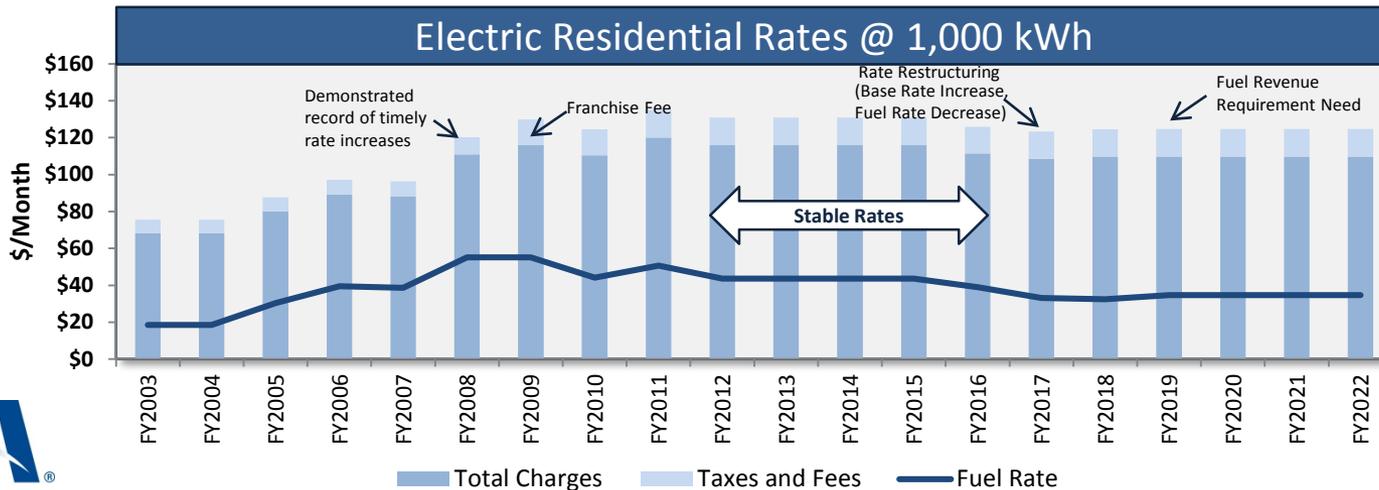
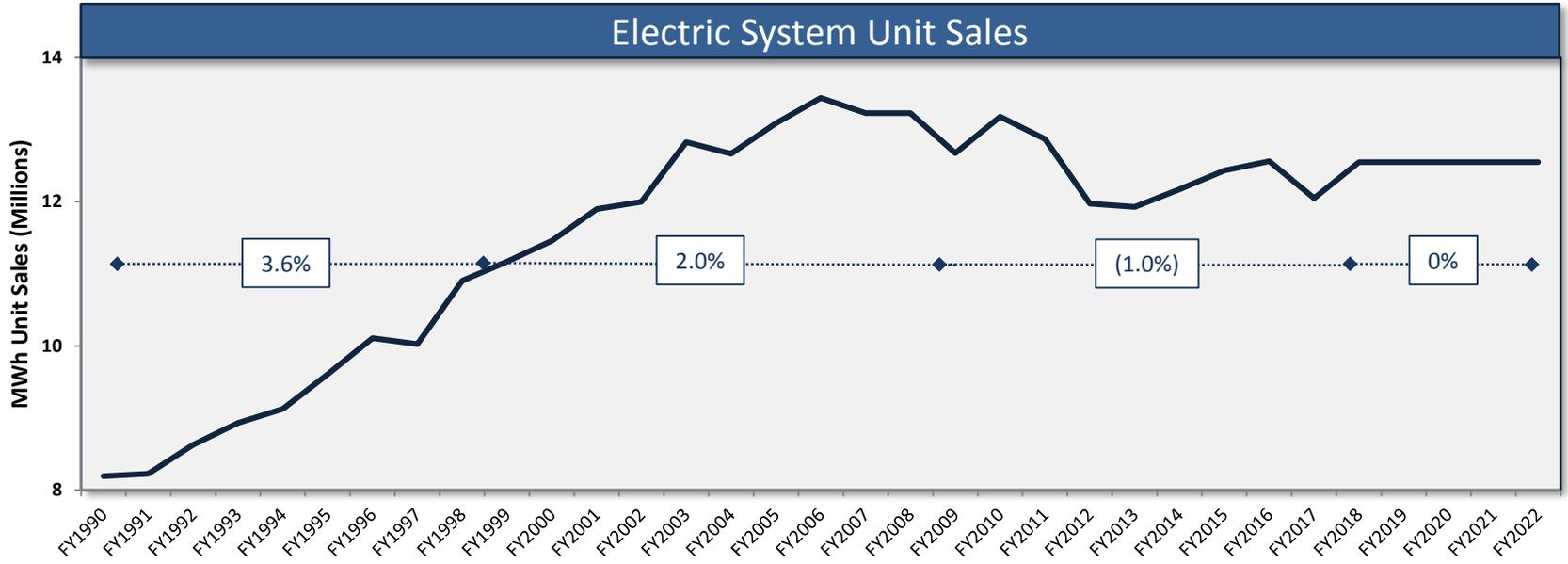
# FY2019 Budget: Customer Electric Bill by Expense Category



**Notes:**

1. Fuel includes Scherer transmission and capacity expenses
2. SJRPP and Scherer non-fuel purchase power expenses included in Debt Service and Internal Capital. Scherer also included in O&M
3. Government Transfers include City Contribution, COJ Public Service Tax, COJ Franchise Fee, State Gross Receipt Tax, and State and COJ Sales Tax (Commercial customers only)
4. O&M Salaries, Benefits, and Pension are net of capital
5. FY2019 O&M includes \$3M Natural Gas retail sale operations
6. Internal Capital Funds include JEA Electric System R&R and OCO, SJRPP R&R, and Scherer R&R, no new debt is required
7. Lower principal and interest due to debt restructuring in FY2017
8. Internal capital funds for FY2019 are greater than annual depreciation but less than the estimated budget for FY2019 of \$304m

# Electric System Unit Sales and Rates

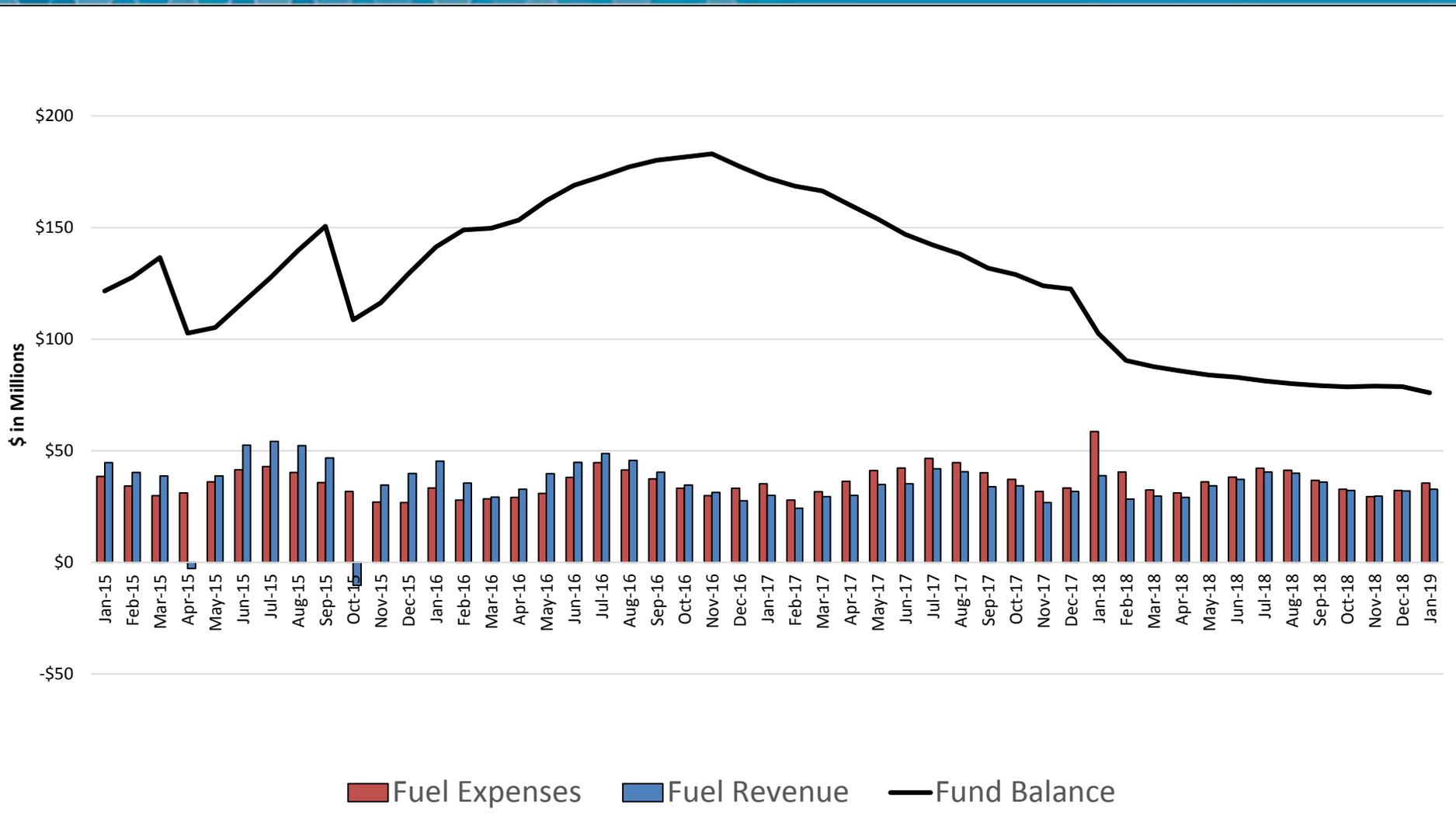


Variable Fuel Rate per MWh	FY2017	FY2018F	FY2019B	FY2020
Fuel Rate Budgeted per \$/MWh	\$32.50	\$32.50	\$32.50	\$32.50
Reserve as a % of Target Expense	21%	12%	9%	7%
<b>Annual Fuel Cost (millions)</b>	<b>\$443</b>	<b>\$460</b>	<b>\$418</b>	<b>\$420</b>

## Discussion and Analysis

- The Fuel Fund Rate Stabilization Reserve is currently at 12% of the historical maximum 12-month fuel expense
- Current projections are based on the NYMEX natural gas price forecasts and assume no major market disruption due to regulations

# Monthly Analysis of Fuel Fund Balance



# FY2019 Electric System Budget: Operating Expenses

(\$ in millions)	FY2018 Budget <sup>1</sup>	FY2019 Budget <sup>1</sup>	Variance	Explanation
Salaries & Benefits	\$176.7*	\$179.2*	\$2.5	Step increases, market adjustments and bargaining unit agreements
Other Services	108.9	108.5	(0.4)	
Materials & Supplies	16.2	16.3	0.1	
Other	18.5	21.2	2.7	Insurance Premium Increase
Credits – Shared Services	(51.7)	(50.4)	1.3	Reduction in shared expenses allocated to Water and lower EAM
Credits – Capitalization	(37.2)	(36.9)	0.3	
Credits – Other	(15.1)	(14.4)	0.7	Decrease in SJRPP Service Level Agreement
<b>Total</b>	<b>\$216.3</b>	<b>\$223.5</b>	<b>\$7.2</b>	

## Key Strategic Issues Included in Budget

FY2018		FY 2019	
Generating Unit Outages	12.2	Generating Unit Outages	14.8
Succession Planning Staffing Risks	2.6	Succession Planning Staffing Risks	2.6
Climate Change	1.0	Climate Change	1.0
Enterprise Asset Management	5.0	Enterprise Asset Management	3.0
Net Pension Decrease	(12.8)		
Compensation	*	Compensation	*
<b>Total</b>	<b>\$8.0</b>	<b>Total</b>	<b>\$21.4</b>

<sup>1</sup>Excludes Customer Benefit, Environmental, and Retail Natural Gas



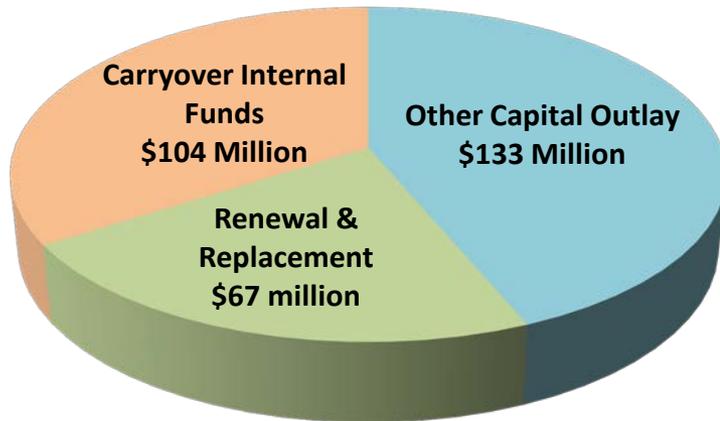
No New Debt!

# Electric System: Capital Funding

## FY2019 – Electric System Capital Budget: \$304 Million

System Maintenance: \$172 Million	System Expansion: \$132 Million
- Renewal and Replacement	- New or Expanded Generation
- Distribution	- New Transmission Lines
- Facilities, Fleet, Generation	- New or Expanded Substations

### Source of Capital Funding



### Discussion & Analysis

- FY2019 capital funding plan utilizes existing capital cash balances to fund the “long-term eligible funds” qualified projects, resulting in no new debt issuance for FY2019
- FY2018 capital plan budget was \$205 million, current forecast is \$190 million
- December 2017 rating agency FY2019 capital program was projected to be \$253 million
- Focus on FY2019 key initiatives related to technology with a \$20 million 2-Way Meter Conversion and a \$55 million Brandy Branch upgrade to increase capacity by 84 MW

# FY2019 Electric System Budget: Debt Service

	FY2018 Budget	FY2019 Budget	Budget Variance	Explanation
Debt Service – Principal	\$124.2	\$116.2	(\$8.0)	Debt Restructuring from FY2017
Debt Service – Prepayment	---	---	---	
Debt Service – Interest	94.3	87.4	(6.9)	Lower Debt Balance
<b>Total<sup>1</sup></b>	<b>\$218.5</b>	<b>\$203.6</b>	<b>(\$14.9)</b>	

Debt Service Coverage	2.4x	2.7x	0.3x	
Debt to Asset %	60.0%	63.6%	3.6%	New Moody's calculation and closure of SJRPP

<b>Variable Rate Debt %</b>				
Gross	23.2%	25.7%	2.5%	Paydown of Fixed Rate Debt
Net of Swaps	7.3%	8.0%	0.7%	
<b>Variable Interest Rate %</b>	3.0%	3.0%	---	

<b>Liquidity – Days Cash<sup>2</sup></b>	257	209	(48)	Utilization of Fuel Rate Stabilization and Capital Fund withdrawal of \$104m
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<sup>1</sup> Includes scheduled interest and principal payments to bondholders, variable rate financing costs, and swap payments

<sup>2</sup> Includes Renewal and Replacement

# Agenda

**Strategic Issues and Risks**

**Key Assumptions**

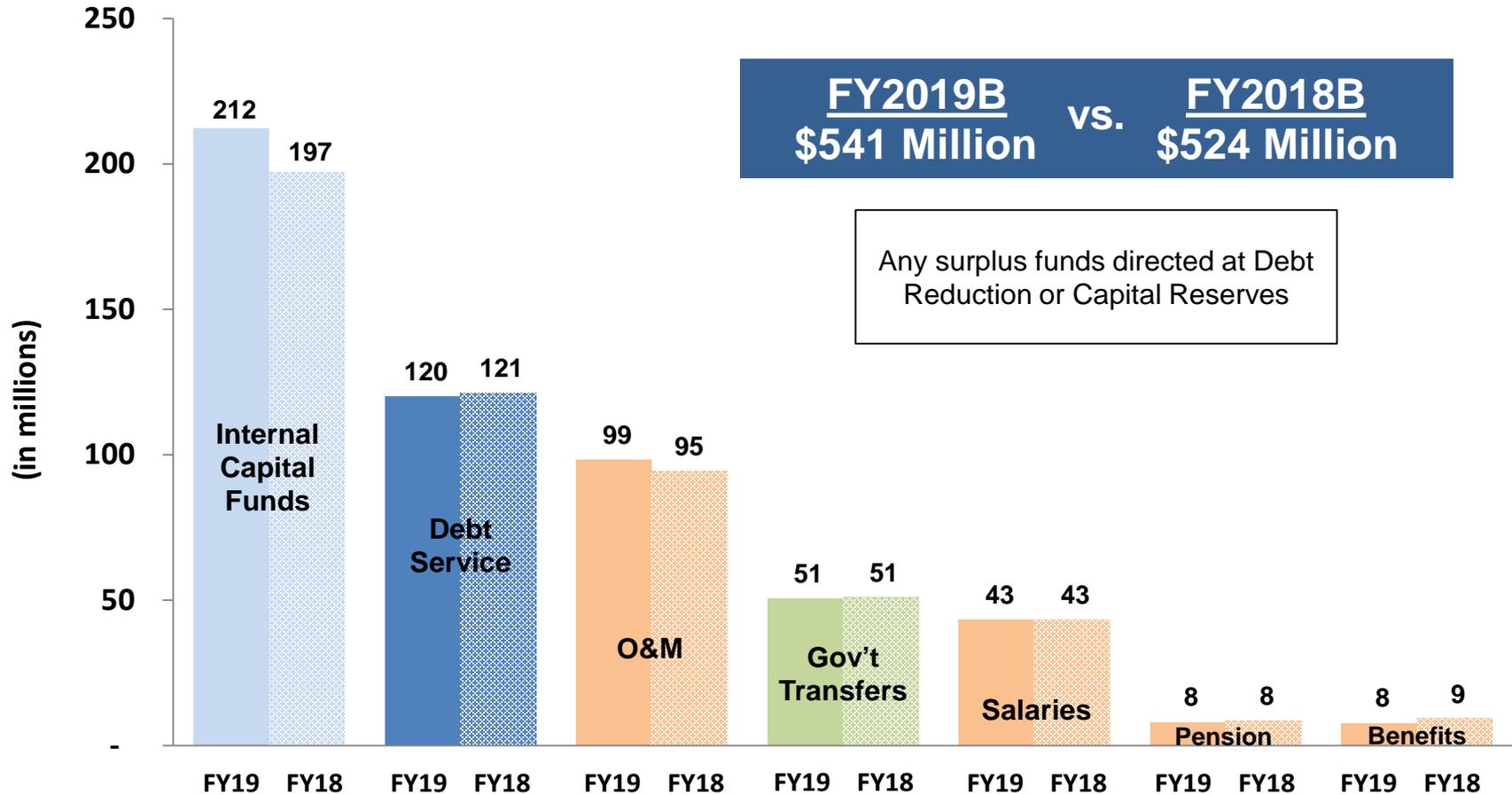
**Electric System Budget Assumptions**

## **Water and Sewer System Budget Assumptions**

- Customer Electric Bill by Expense Category
- Revenue Drivers
- Fuel Rate
- Operating Expenses
- Capital Funding – Debt Service, Operating Capital Outlay, and Renewal and Replacement

**Government Transfers via the JEA Bill**

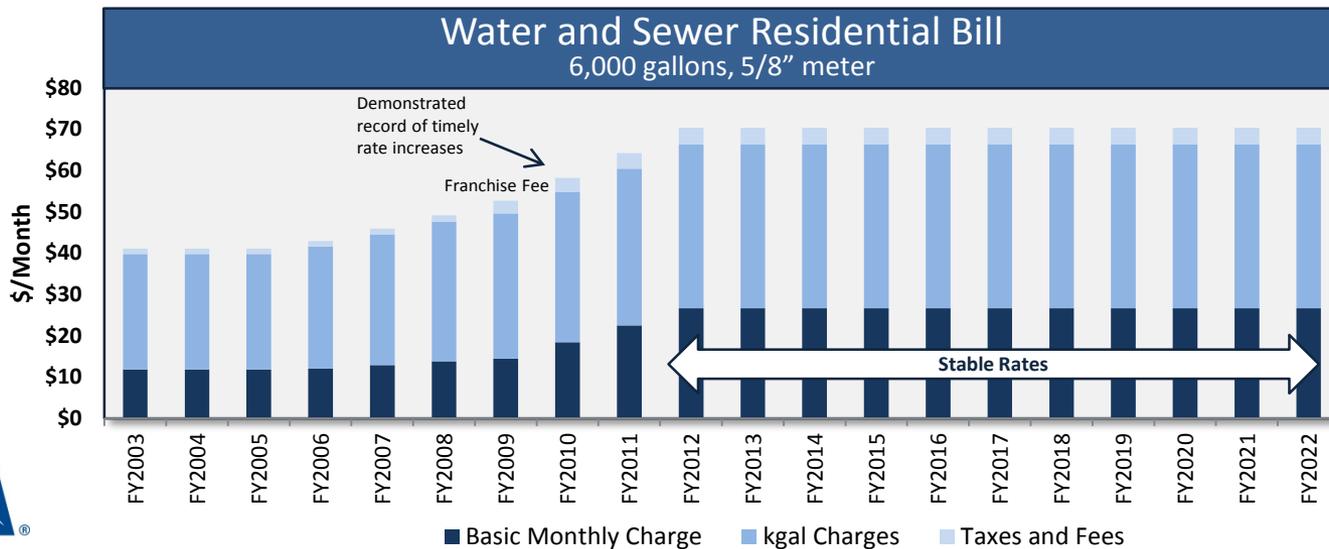
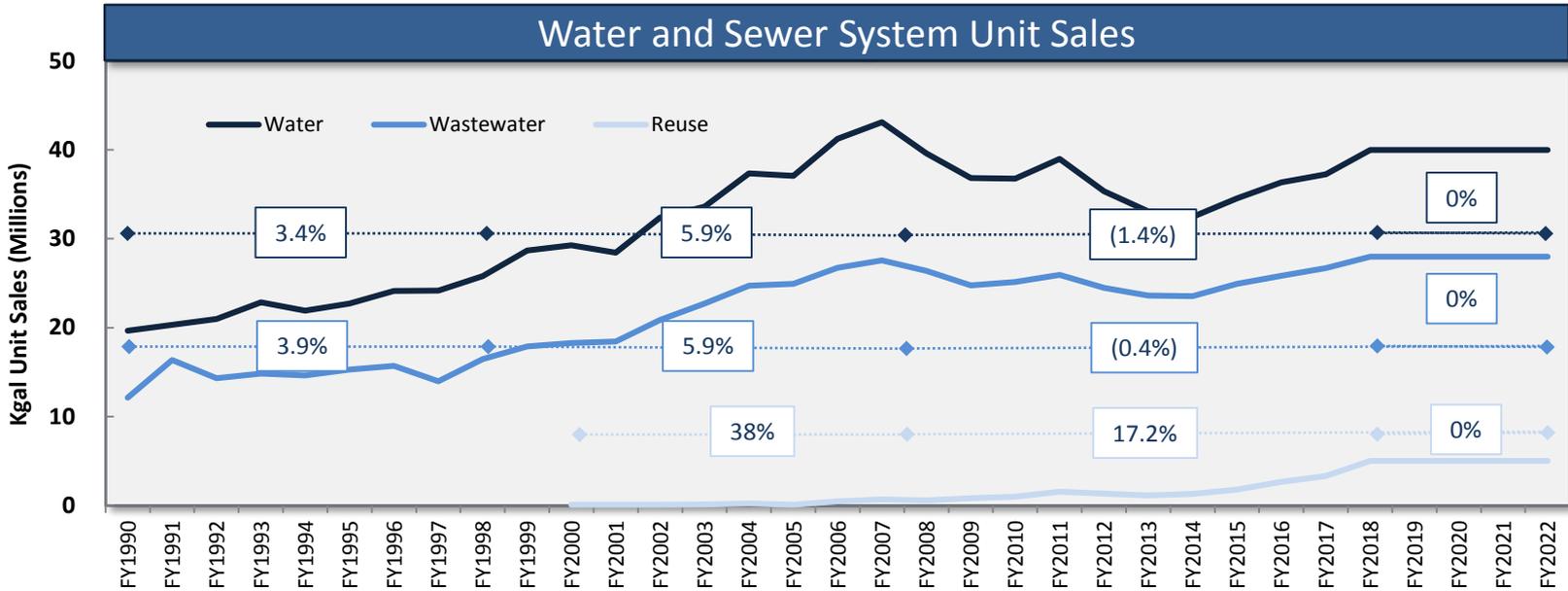
# FY2019 Budget: Customer Water and Sewer Bill by Expense Category



**Notes:**

1. Government Transfers include City Contribution, COJ Public Service Tax, and COJ Franchise Fee
2. O&M Salaries, Benefits, and Pension are net of capital
3. The FY2019 capital program is funded by Internal Capital, no new debt is required
4. FY2019 Debt Service decrease reflects lower interest payments
5. Internal capital funds for FY2019 are greater than annual depreciation but less than the estimated budget for FY2019 of \$223

# Water & Sewer System Unit Sales and Rates



# FY2019 Water and Sewer System Budget: Operating Expenses

(\$ in millions)	FY2018 Budget <sup>1</sup>	FY2019 Budget <sup>1</sup>	Variance	Explanation
Salaries & Benefits	\$69.2*	\$71.2*	\$2.0	Employees for new plant and system expansion. Includes new contract adjustments and related changes
Other Services	28.5	28.5	---	Includes storm generators and sewer resiliency
Materials & Supplies	13.5	13.5	---	
Shared Services	51.6	50.3	(1.3)	
Other	3.4	3.7	0.3	Insurance premium increase
Credits – Capitalization	(13.9)	(14.9)	(1.0)	Adjustment for fluctuation in marketplace and workforce
Credits – Fuel Handling	(0.5)	(0.5)	---	
<b>Total</b>	<b>\$151.8</b>	<b>\$151.8</b>	<b>---</b>	

## Key Strategic Issues Included in Budget

FY2018		FY 2019	
Water Purification	\$1.0	Water Purification	\$1.0
Succession Planning Staffing Risks	1.0	Succession Planning Staffing Risks	1.0
Enterprise Asset Management	2.0	Enterprise Asset Management	1.0
Storm Generators	1.5	Storm Generators	1.5
Sewer Resiliency	0.5	Sewer Resiliency	0.5
Net Pension Decrease	(3.5)		
Compensation	*	Compensation	*
<b>Total</b>	<b>\$2.5</b>	<b>Total</b>	<b>\$5.0</b>

<sup>1</sup>Excludes Customer Benefit and Environmental



No New Debt!

# Water and Sewer System : Capital Funding

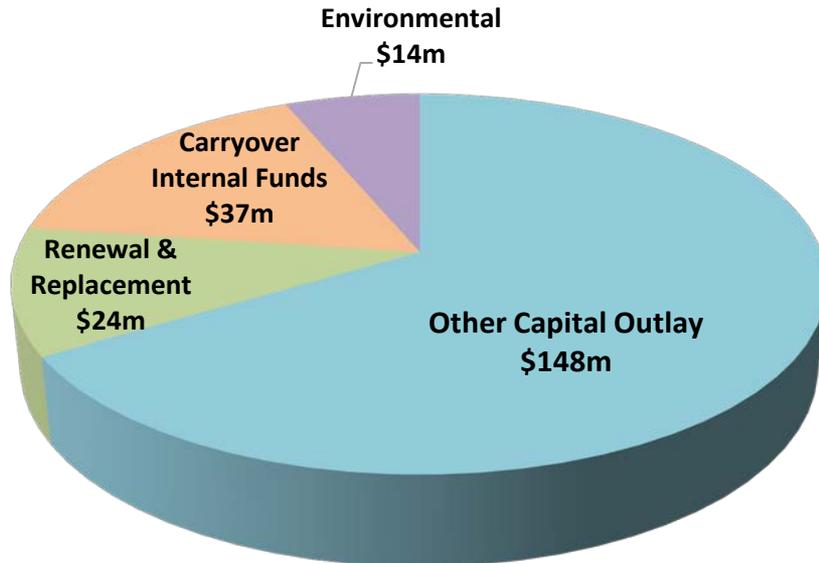
## FY2019 – Water and Sewer System Capital Budget: \$223 Million

Environmental: \$14 Million	System Maintenance: \$168 Million	System Expansion: \$41 Million
- BMAP*/TMDL*/Reclaim	- Renewal and Replacement	- New or Expanded Treatment
- Total Water Management Plan	- Distribution	- New Transmission Lines
- Major Environmental Initiatives	- Facilities, Fleet, Technology	- New or Expanded Master Pump Stations

\*Basin Management Action Plan

\*Total Maximum Daily Limit of Nitrogen

### Source of Capital Funding



### Discussion & Analysis

- FY2019 capital funding plan utilizes existing capital cash balances to fund the “long-term eligible funds” qualified projects, resulting in no new debt issuance for FY2019
- FY2018 capital plan budget was \$236.5 million, current forecast is \$215 million
- December 2017 rating agency FY2019 capital program was projected to be \$210 million
- FY2019 \$50m in resiliency work which will include storm hardening improvements
- FY2019 80% of system expansion expense is in Duval County

# FY2019 Water and Sewer System Budget: Debt Service

	FY2018 Budget	FY2019 Budget	Budget Variance	Explanation
Debt Service – Principal	\$51.7	\$54.7	\$3.0	Higher Scheduled Principal Payments
Debt Service – Prepayment	---	---	---	
Debt Service – Interest	69.4	65.4	(4.0)	Lower Debt Balance and FY2018 Refundings
<b>Total<sup>1</sup></b>	<b>\$121.1</b>	<b>\$120.1</b>	<b>(\$1.0)</b>	

Debt Service Coverage	2.7x	3.1x	0.4x	
Debt to Asset %	47.6%	45.8%	(1.8%)	New Moody's calculation

<b>Variable Rate Debt %</b>				
Gross	17.8%	18.3%	0.5%	
Net of Swaps	10.1%	10.4%	0.3%	
<b>Variable Interest Rate %</b>	3.0%	3.0%	---	

<b>Liquidity – Days Cash<sup>2</sup></b>	513	459	(54)	Capital Fund withdrawal of \$37m
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<sup>1</sup> Includes scheduled interest and principal payments to bondholders, variable rate financing costs, swap payments, and Revolving Credit Agreement payments

<sup>2</sup> Includes Renewal and Replacement

# Agenda

**Strategic Issues and Risks**

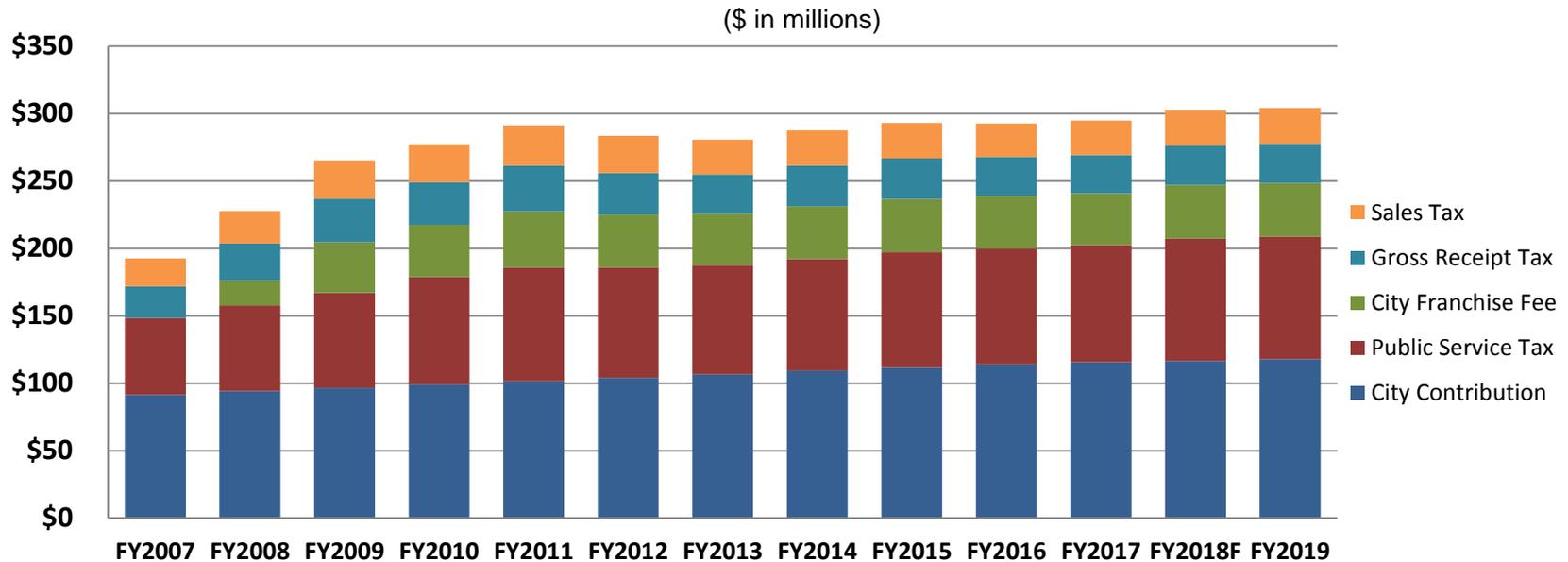
**Key Assumptions**

**Electric System Budget Assumptions**

**Water and Sewer System Budget Assumptions**

**Government Transfers via the JEA Bill**

# Government Transfers via the JEA Bill



Description	Paid To	FY07	FY08	FY09	FY15	FY16	FY17	FY18F	FY19
City Contribution	COJ	\$91.4	\$94.2	\$96.7	\$111.7	\$114.2	\$115.8	\$116.6	\$117.9
Public Service Tax	COJ	56.9	63.6	70.5	85.6	85.8	85.8	90.8	90.9
City Franchise Fee	COJ	-	18.3	37.5	39.4	38.9	38.2	39.6	39.6
Gross Receipt Tax	State	23.7	27.6	32.1	30.2	29.8	29.2	29.4	29.4
Sales Tax	State and COJ	20.6	24.1	28.5	26.4	26.0	25.5	26.5	26.5
<b>Total</b>		<b>\$192.6</b>	<b>\$227.8</b>	<b>\$265.3</b>	<b>\$293.3</b>	<b>\$294.7</b>	<b>\$294.5</b>	<b>\$302.9</b>	<b>\$304.3</b>
Percent increase from FY2007			18%	38%	52%	53%	53%	56%	58%

\$248 COJ

JEA transfers to the City of Jacksonville have increased to \$248 million

# Board Review and Approval Schedule: FY2019 Budget and Rate Discussion

Date	Meeting	Activity / Objective
March 12, 2018	Finance & Audit Committee	Review Budget and Rate Assumptions
March 20, 2018	Board	Finance and Audit Committee Report
May 7, 2018	Finance & Audit Committee	Final review of FY2019 Budget
May 15, 2018	Board	Budget review with full Board
June 19, 2018	Board	Board to approve the FY2019 Budget
July 1, 2018	---	Transmit JEA Board approved Budget with cover letter to City Council President

## Finance and Audit Committee Action

- Provide feedback and direction regarding the key strategic issues and risks for the FY2019 Budget specifically covering:
  - Revenue
  - O&M Expense Levels
  - Interest Rates and Debt Structure
  - Financial Metrics
  - Workforce Readiness and Succession Planning

## Staff

- Prepare Draft Budget, as well as related agenda items for review at the May Finance and Audit Committee meeting
- Prepare Draft Budget Summary for presentation at the May Board meeting
- Prepare the budget package for approval at the June Board meeting
- Begin communication process with the Council Auditor
- Begin communication plan for other key stakeholders

**II. B.**

**JEA Annual Disclosure Policy Report**



Building Community

**AGENDA ITEM SUMMARY**

February 27, 2018

<b>SUBJECT:</b>	<b>JEA ANNUAL DISCLOSURE POLICY REPORT</b>
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<b>Purpose:</b>	<input checked="" type="checkbox"/> Information Only	<input type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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**Issue:** JEA’s Disclosure Policies and Procedures require that the Chief Financial Officer shall provide the Finance and Audit Committee each year a report regarding compliance with those policies, to report any issues or problems complying with those policies in the preceding twelve-month period and to present recommendations, if any, for changes to those policies.

**Significance:** High. JEA is responsible for the content of its market disclosures and is subject to the provisions of the federal securities laws prohibiting making material misstatements or omissions of material facts if necessary to avoid a misleading statement in its disclosure documents.

**Effect:** To support continued compliance with JEA’s continuing disclosure agreements and federal securities antifraud laws through adherence with JEA’s Disclosure Policies and Procedures.

**Cost or Benefit:** To reduce potential exposure to civil or criminal liability that could result from non-compliance with JEA’s continuing disclosure agreements and federal securities laws.

**Recommended Board action:** No Board action is required. For information only.

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

Submitted by: PEM/ MHD/ JEO/ RLH

<b>MISSION</b>	<b>VISION</b>	<b>VALUES</b>
		
Energizing our community through high-value energy and water solutions.	JEA is a premier service provider, valued asset and vital partner in advancing our community.	<ul style="list-style-type: none"> <li>• Safety</li> <li>• Service</li> <li>• Growth<sup>2</sup></li> <li>• Accountability</li> <li>• Integrity</li> </ul>

**Commitments to Action**

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



**INTER-OFFICE MEMORANDUM**

February 27, 2018

**SUBJECT: JEA ANNUAL DISCLOSURE POLICY REPORT**

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**FROM:** Paul E. McElroy, Managing Director/CEO

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**TO:** JEA Finance and Audit Committee

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Kelly Flanagan, Chair  
Husein Cumber

**BACKGROUND:**

Federal securities laws require that disclosure documents of issuers such as JEA not contain an “untrue statement of a material fact” or omit a “material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.” “Materiality” under the federal securities laws means whether there is a substantial likelihood that a reasonable investor would consider the facts at issue to be important to an investment decision.

The SEC has further stated that public entities that issue securities are primarily liable for the content of their disclosure documents and are subject to federal securities laws prohibiting false and misleading information in their disclosure documents. Under certain federal antifraud laws, it is not necessary that an entity act recklessly or with intent or knowledge of wrongdoing; an entity may also be found liable even if found to be negligent.

In early 2015, staff worked with JEA’s bond counsel firm, Nixon Peabody LLP, to document JEA’s ongoing processes and procedures for monitoring and assessing operational, financial, regulatory, governmental and other developments within and outside JEA that need to be considered when preparing information that could reasonably be expected to find its way to investors, potential investors or other stakeholders in JEA securities. Nixon Peabody provided input from experience they gained through working with other public entities. Lessons learned from those experiences and industry best practices were combined with JEA’s procedures and specific requirements to formulate the JEA Disclosure Policies and Procedures (“Disclosure Policies”).

**DISCUSSION:**

In March 2015, Nixon Peabody conducted disclosure training sessions with the Board, senior leadership team and staff involved with the preparation and review of JEA’s disclosure documents. Staff presented the Board draft revised Disclosure Policies for information at its April 21, 2015 meeting, and on May 19, 2015, the Board approved those Disclosure Policies. Those Board training materials and the Disclosure Policies are included in the orientation materials for all new members.

Among actions required under the Disclosure Policies, the Chief Financial Officer shall provide a report to the Finance and Audit Committee each year, at the meeting of the Finance and Audit Committee immediately preceding the public dissemination of the Annual Disclosure Reports, regarding compliance with the Disclosure Policies during the preceding twelve month period. This report shall (i) state whether the Annual Disclosure Reports for the current year are being prepared in compliance with these Disclosure Policies and whether all disclosure documents prepared during the prior twelve month period were prepared in accordance with the Disclosure Policies, (ii) describe any issues or problems which

arose in connection with compliance with the Disclosure Policies during such period and (iii) present any recommendations for changes to the Disclosure Policies.

Staff is in the process of preparing the Annual Disclosure Reports for the fiscal year ended September 30, 2017, and plans to seek the Board's approval and authorization to disseminate those reports at its April 17, 2018 meeting. In accordance with past practice and prior Boards' requests, staff intends to provide Board members with substantially final drafts for their review at the March 20, 2018 Board meeting.

**RECOMMENDATION:**

No Board action is required. For information only.

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Paul E. McElroy, Managing Director/CEO

PEM/MHD/JEO/RLH

II. B. Return to  
03/12/2018 Agenda

To: Finance & Audit Committee  
From: Melissa H. Dykes, Chief Financial Officer  
Date: February 27, 2018  
Re: Report delivered pursuant to Section 7.5 of JEA's Disclosure Policies and Procedures

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In accordance with Section 7.5 of JEA's Disclosure Policies and Procedures, dated May 19, 2015 (the "Disclosure Policies"), which requires the Chief Financial Officer to report to the Finance and Audit Committee regarding compliance with the Disclosure Policies during the preceding twelve-month period, I hereby report the following:

1. All Annual Disclosure Reports and Disclosure Documents prepared during the prior twelve-month period were prepared in accordance with the Disclosure Policies.
2. No issues or problems have arisen in connection with compliance with the Disclosure Policies during the prior twelve-month period.
3. At this time, there are no recommendations to make changes to the Disclosure Policies. A copy of the Disclosure Policies is attached to this report.
4. A copy of the Disclosure Policies has been provided to all Board members as part of their orientation package and has been distributed to all Finance Staff and Staff participating in the disclosure process.
5. A printed copy of each final Annual Disclosure Report for fiscal year ended September 30, 2016 was provided to all members of the JEA Board at their offices on T-8 of the JEA tower on May 25, 2017.
6. The Annual Disclosure Reports for the fiscal year ended September 30, 2017 are being prepared in compliance with the Disclosure Policies. Informational copies of the current drafts of the Annual Disclosure Reports are available to any Finance and Audit Committee member who requests copies of such draft Reports. Near-final drafts of the Annual Disclosure Reports will be provided to Board members at the March 20, 2018 Board meeting with a request to approve the documents at the April 17, 2018 Board meeting.

JEA  
DISCLOSURE POLICIES AND PROCEDURES

DATED: May 19, 2015

INTRODUCTION

JEA is committed to ensuring that its disclosures made in connection with its municipal bond offerings and required periodic filings related thereto are fair, accurate, and comply with applicable federal and state securities laws including common law antifraud provisions under state law and any other applicable laws. Further, it is the policy of JEA to satisfy in a timely manner its contractual obligations undertaken pursuant to Continuing Disclosure Undertakings (as defined herein) entered into in connection with municipal bond offerings.

These disclosure policies and procedures (“Disclosure Policies”) have been established by JEA and are intended to (a) ensure that JEA’s Disclosure Documents (as defined herein) are accurate and complete, and comply with all applicable federal and state securities laws; and (b) promote best practices regarding the preparation of JEA’s Disclosure Documents.

*The failure to comply with these Disclosure Policies shall not affect the authorization or the validity or enforceability of any Bonds that are issued by JEA in accordance with applicable law nor imply a failure to comply with federal or state securities laws.*

**Section 1.0 Definitions**

Capitalized terms used in these Disclosure Policies shall have the meanings set forth below:

**“Annual Disclosure Report”** means the Electric System Annual Disclosure Report or the Water and Sewer System Annual Disclosure Report, as applicable.

**“Authorized Officer”** means the Managing Director and Chief Executive Officer and the Chief Financial Officer.

**“Board”** shall mean the Board of JEA.

**“Bond Counsel”** shall mean any attorney or firm of attorneys of nationally recognized standing in the field of law relating to the issuance of Bonds by state and municipal entities selected by JEA. At any time JEA retains more than one bond counsel, all references to bond counsel shall be deemed to include one or more bond counsel, as deemed appropriate by an Authorized Officer of JEA.

**“Bonds”** shall refer to any bonds, notes or other securities offered by JEA, the disclosure relating to which is subject to the requirements of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934, including Rule 10b-5 thereunder, and Securities Exchange Commission Rule 15c2-12.

**“Continuing Disclosure Undertakings”** means JEA’s contractual obligations entered into by JEA in connection with each issuance of Bonds.

**“Disclosure Documents”** means JEA’s documents and materials specifically prepared, issued, and distributed in connection with JEA’s disclosure obligations under applicable federal securities laws or that otherwise could potentially subject JEA to liability under such laws, and shall include, but not be limited to the following:

- Annual Disclosure Reports;
- Official Statements;
- Any filing made by JEA pursuant to a Continuing Disclosure Undertaking, including material event notices;
- Any voluntary filing made by JEA that is posted on EMMA;
- Any document or other communication from JEA that could be viewed as reasonably expected to reach investors and the trading market for JEA’s Bonds; and
- Any other document that is reviewed and approved in accordance with these Disclosure Policies.

**“Electric System Annual Disclosure Report”** means the Annual Disclosure Report for Electric Utility System containing financial information and operating data required to be filed pursuant to JEA’s Continuing Disclosure Undertakings relating to its Electric System, including the audited financial statements of JEA, which are incorporated by specific reference in certain other JEA Disclosure Documents. The information includes narrative information relating to JEA as well as information that JEA has specifically contracted with bondholders to update on an annual basis in accordance with Rule 15c2-12

**“EMMA”** means the Electronic Municipal Market Access system maintained by the Municipal Securities Rulemaking Board.

**“Finance Staff”** means the Treasurer, Manager Debt, Bond Administration Specialist, Bond Compliance Specialist and Debt Financial Analyst.

**“Financial Accounting and Reporting Staff”** means the Controller, the Manager Financial Reporting and Accounting and Certified Public Accountants of JEA.

**“Official Statements”** means, collectively, preliminary and final Official Statements, remarketing circulars or offering memoranda used in connection with the offering or remarketing of Bonds. The Official Statements do not attempt to repeat the information in the Annual Disclosure Reports, but instead generally include such information by specific cross-reference, as expressly authorized by Rule 15c2-12, and update only the information that has materially changed.

**“Rule 15c2-12”** means Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, including any official interpretations thereof.

**“Staff”** means employees of JEA.

**“Water and Sewer System Annual Disclosure Report”** means the Annual Disclosure Report for Water and Sewer System and District Energy System containing financial information and operating data required to be filed pursuant to JEA’s Continuing Disclosure Undertakings relating to its Water and Sewer System and District Energy System, including the audited financial statements of JEA, which are incorporated by specific reference in certain other JEA Disclosure Documents. The information includes narrative information relating to JEA as well as information that JEA has specifically contracted with bondholders to update on an annual basis in accordance with Rule 15c2-12.

## **Section 2.0 General Disclosure Practices**

2.1 The Board, pursuant to supplemental resolutions adopted periodically by such Board, shall directly authorize or delegate authority and responsibility to Finance Staff to prepare and distribute Official Statements, and any updates thereto in the case of securities subject to remarketings, which will be prepared in accordance with these Disclosure Policies unless the Board otherwise directs.

2.2 The Treasurer, with the assistance of Finance Staff, is primarily responsible for the preparation of Disclosure Documents, with the assistance of Bond Counsel, the Office of General Counsel, and any other Staff with specific expertise as may be deemed necessary by the Treasurer and shall prepare all Disclosure Documents, including the Annual Disclosure Reports and Official Statements, and shall prepare and submit any other disclosure filings that may be required throughout the year. All Disclosure Documents and any other disclosure filings shall be prepared in accordance with these Disclosure Policies unless the Board otherwise directs.

2.3 The Board shall directly approve and authorize the dissemination and use of the Annual Disclosure Reports by voting to accept a Board meeting agenda item annually. Such approval may be obtained without the Board formally adopting a resolution.

## **Section 3.0 Preparation of Annual Disclosure Reports**

3.1 Finance staff shall review the Annual Disclosure Reports filed for the previous fiscal year ended as updated by any recent developments included in Official Statements prepared since the date of such Annual Disclosure Reports and incorporating any changes into the Annual Disclosure Reports as the “most recent” disclosure and distribute sections to Staff with subject matter expertise in each topical area. Staff shall review their respective sections to ensure disclosures contained therein are accurate and

complete. Staff shall also make any necessary changes and provide them to Finance Staff to incorporate such changes into updated drafts of the Annual Disclosure Reports. The initial distribution of the sections of the Annual Disclosure Reports to Staff described in the preceding sentences shall be made no later than February 28<sup>th</sup> of each calendar year.

3.2 Finance Staff shall be responsible for directly researching any updates for certain information included in the Annual Disclosure Reports, e.g., service area/demographic information as reported in U.S. Census Bureau and State of Florida economic websites and operational statistics and financial results as reported in the fiscal year's audited financial statements and published annual report ("Annual Report") of JEA.

3.3 External sources shall be contacted to provide input and any necessary updates with respect to certain other subject areas of each Annual Disclosure Report, e.g., The Energy Authority and their counsel, City of Jacksonville with respect to pension, city contributions, etc., the Office of General Counsel with respect to litigation issues, the local Chamber of Commerce with respect to some service area information and surveys, etc. Finance Staff shall keep written records of the request and transmittal of the information reviewed and submitted by such parties.

3.4 Information in each Annual Disclosure Report of the type contained under the captions "Schedules of Debt Service Coverage" and "Management's Discussion of Electric System Operations," "Management's Discussion of Water and Sewer System Operations" and "Management's Discussion of District Energy System Operations", as applicable (collectively, the "Coverage and Operating Information"), shall be prepared by the Finance Staff and reviewed by the Financial Accounting and Reporting Staff and the Chief Financial Officer. The Financial Accounting and Reporting Staff and Finance Staff shall consult with Staff with specific knowledge of various elements of the Coverage and Operating Information and Bond Counsel as they deem appropriate.

3.5 Once revised in accordance with the procedures described in Sections 3.1 through 3.4 above, drafts of the Annual Disclosure Reports shall be distributed to Staff, including the Managing Director and Chief Executive Officer and senior leadership team for review and comment, particularly with the Chief Financial Officer, Vice President/General Manager Electric Systems, Vice President/General Manager Water-Sewer and District Energy Systems and Chief Public Affairs Officer reviewing the entire documents and certain other members of the JEA senior leadership team (e.g., Chief Compliance Officer, Chief Human Resources Officer) as determined by the Chief Financial Officer focusing on particular areas assigned to them. Finance Staff and Staff shall review multiple drafts of the Annual Disclosure Reports and the Managing Director and Chief Executive Officer, Chief Financial Officer, Vice President/General Manager Electric Systems, Vice President/General Manager Water-Sewer and District Energy Systems and Chief Public Affairs Officer shall provide their signoff via email or in another writing.

3.6 The audited financial statements of JEA shall be included in the Annual Disclosure Reports in accordance with JEA's Continuing Disclosure Undertakings and as required by Rule 15c2-12.

3.7 After completing the procedures outlined in Section 3.1 through 3.6 above, drafts of the Electric System Annual Disclosure Report and the Water and Sewer System Annual Disclosure Report shall be provided to Board members at or prior to the regularly scheduled Board meeting that is one month prior to the meeting at which they will be asked to authorize the dissemination and use of the Annual Disclosure Reports. These drafts include the audited financial statements and all appendices. The Chief Financial Officer and Finance Staff will schedule times within this period when Board members may discuss any questions or comments to such Annual Disclosure Reports.

3.8 The Chair, Vice Chair or Secretary of the Board and the Managing Director and Chief Executive Officer shall approve the Annual Disclosure Reports and authorize their use and public dissemination by Finance Staff in writing.

3.9 JEA's Bond Counsel shall file each of the Electric System Annual Disclosure Report and the Water and Sewer System Annual Disclosure Report on EMMA upon the written direction of Finance Staff which direction may be provided to Bond Counsel via email. JEA staff shall then post each of the Annual Disclosure Reports on JEA's website and remove the previous year's Annual Disclosure Reports from JEA's website. While it is the intent of Finance Staff to file the Electric System Annual Disclosure Report and the Water and Sewer System Annual Disclosure Report simultaneously, such Annual Disclosure Reports may be filed as soon as they are completed as determined by the Chief Financial Officer, but in any event before June 1 of each year as required by the Continuing Disclosure Undertakings.

#### **Section 4.0 Official Statement Review and Disclosure Processes**

4.1 The Treasurer, with the assistance of Finance Staff, shall identify those persons who, for a particular financing, are appropriate to assist Bond Counsel, the underwriter(s), underwriters' counsel, JEA's financial advisor (collectively, the "Working Group") and appropriate Staff in the preparation and review of the related Disclosure Documents.

4.2 The Treasurer, Finance Staff or a member of the Working Group, as applicable, shall prepare a timeline in connection with the preparation and review of the Disclosure Documents. Such timeline shall be delivered by the Treasurer or Finance Staff to the Working Group and JEA's outside auditors so that they are apprised of the JEA's schedule for publishing such Disclosure Documents. The timeline for any particular bond financing for which Official Statements will be prepared shall vary depending on the type of Bonds being offered, the security for the Bonds, the purpose for the financing, and other factors unique to each bond financing.

4.3 The Treasurer, or a member of the Finance Staff designated by the Treasurer, shall be responsible for soliciting material information from JEA

departments, other necessary entities or other governmental officials (i.e., City of Jacksonville, Office of General Counsel, etc.) for inclusion in the applicable Disclosure Documents, and shall identify Staff and any other governmental officials who may have information necessary to prepare or who should review portions of the Official Statements. Staff and other governmental officials should be timely contacted in writing and informed that their assistance will be needed for the preparation of the Official Statements.

4.4 Updated Coverage and Operating Information for the Official Statements, if available, shall be prepared by the Finance Staff and reviewed by the Financial Accounting and Reporting Staff and the Chief Financial Officer. The Financial Accounting and Reporting Staff and Finance Staff shall consult with Staff with specific knowledge of various elements of the Coverage and Operating Information and Bond Counsel as they deem appropriate.

4.5 Staff and other governmental officials shall be contacted by the Treasurer or a member of the Finance Staff designated by the Treasurer as soon as reasonably practical in order to provide adequate time for such individuals to perform a thoughtful and critical review or draft of those portions of the Disclosure Document assigned to them.

4.6 The written request for information shall include, but not be limited to, the description of any item or event of which Finance Staff is aware which could be material for review by such individuals, departments, other necessary entities or other governmental officials and potential inclusion in the Disclosure Document.

4.7 The Treasurer or a member of Finance Staff designated by the Treasurer shall maintain or cause to be maintained an accurate log of all individuals, departments, other necessary entities or other governmental officials that were requested to review or draft information in connection with a Disclosure Document, as well as an accurate log of responses to such requests, including what sections such individuals or entities listed above prepared or reviewed and shall also be responsible for collecting all transmittal letters, certifications, and lists of sources for incorporation into the records to be maintained by the Finance Staff or Treasurer. Such information may be maintained by the filing of electronic communications or emails filed for each offering of Bonds.

4.8 The Treasurer, Finance Staff and Bond Counsel shall hold a due diligence conference call with the underwriter(s) and underwriters' counsel, prior to the printing or posting of a preliminary Official Statement.

4.9 The Chief Financial Officer, Finance Staff, Vice President/General Manager Electric Systems or Vice President/General Manager Water-Sewer and District Energy Systems, as applicable, and Chief Public Affairs Officer shall provide their signoff on the preliminary Official Statement via email or in another writing prior to the printing or posting of a preliminary Official Statement.

4.10 Underwriters' Counsel shall provide written discussion topics or questions in advance of the due diligence conference call, to the extent practical, to permit Finance Staff time for response from required Staff, to prepare for the due diligence session and to consider additional matters they deem material to the offering. The due diligence session shall not be limited to the list of written topics or questions or other questions solely from Underwriters' Counsel and may include any other topics deemed relevant by Finance Staff, JEA's financial advisor, Bond Counsel, underwriters counsel or the underwriters. Bond Counsel, JEA's financial advisor and the underwriters and underwriters' counsel shall participate in such due diligence session. Copies of the questions and the responses should be included by the Finance Staff in the files relating to the bond transaction.

4.11 If required by Rule 15c2-12 or otherwise, the Treasurer shall sign a certificate to the effect that the preliminary offering document or other disclosure document is deemed final as of its date other than information allowed to be omitted under Rule 15c2-12(b)(1).

4.12 At the time of the sale of the Bonds the Treasurer, in conjunction with Finance Staff and Bond Counsel, shall prepare a final Official Statement and satisfy themselves that based on the information provided to them in accordance with these Disclosure Policies at the time of sale such Official Statement is in satisfactory form and that no additional disclosure is required.

4.13 Annual audited JEA financial statements shall be incorporated by reference or included into the Disclosure Documents. Management's Discussion of Operations with respect to the Electric System's or the Water and Sewer System's Schedules of Debt Service Coverage, as applicable, for the most recent JEA unaudited quarterly reporting period shall be included in the Official Statements if available and deemed by JEA, Bond Counsel and the underwriter(s) and underwriters' counsel to be material.

4.14 Before the printing of any preliminary or final Official Statement the Treasurer or a member of Finance Staff designated by the Treasurer and Bond Counsel shall obtain confirmations from the Office of General Counsel, by e-mail or otherwise, that they know of no material litigation that has been filed (or threatened with a reasonable likelihood of being filed) against JEA since the diligence session and know of no material change that is required to be reflected in the Recent Developments or any other heading of the Disclosure Document.

4.15 The Board shall approve any preliminary or final Official Statement prior to its use and public dissemination. The Board may do so by approving a form of preliminary or final Official Statement and delegate to the Managing Director and Chief Executive Officer the authority to make any additions, modifications or changes as may be necessary to comply with the standard for accuracy and completeness described in Section 7.5 below.

4.16 Bond Counsel may, but are not required to be, invited to attend any JEA presentations to rating agencies and investors made in connection with the offering of Bonds. The Treasurer and Finance Staff shall review any materials used in presentations, meetings or telephone conferences with rating agencies or investors for consistency with the appropriate Disclosure Document. Appropriate records of meetings and telephone conferences with rating agencies and investors will be kept by the Treasurer or a member of Finance Staff designated by the Treasurer.

## **Section 5.0 On-Going Disclosure**

5.1 The Chief Financial Officer, Treasurer, Finance Staff and Bond Counsel shall monitor State and national markets generally and, determine whether there is a need for additional disclosure by way of additional periodic filings with EMMA or any recommended supplement to any Disclosure Document.

5.2 The annual and quarterly Management's Discussion and Analysis and the Notes with respect to the general purpose financial statements (collectively, the "MD&A") shall be prepared by Financial Accounting and Reporting Staff and reviewed by Finance Staff. The Financial Accounting and Reporting Staff and Finance Staff shall consult with Staff with specific knowledge of various elements of the MD&A and Bond Counsel as they deem appropriate.

5.3 The MD&A shall be reviewed by the Chief Financial Officer prior to being finalized. The Chief Financial Officer shall signoff and approve the MD&A via email or another writing prior to the posting of the MD&A on JEA's website.

## **Section 6.0 Training**

6.1 Training for Board members and Staff shall be conducted by either Bond Counsel or their designee(s) regarding disclosure practices under applicable state and federal law. It is intended that this training shall assist these individuals in (1) understanding their responsibilities; (2) identifying significant items which may need to be included in the Disclosure Documents; and (3) reporting issues and concerns relating to disclosure. A refresher training program shall be conducted not less than once every two years.

### **A. Board Members**

a. Board Members shall be advised of their general disclosure responsibilities and the extent they may delegate to and rely on Staff's preparation of Disclosure Documents.

b. Board Members shall be advised of their fiduciary duties under Florida State law.

c. Specialized training regarding JEA disclosure responsibilities shall be conducted for the members of the Finance and Audit Committee of the Board.

## **B. Finance Staff**

a. Staff with responsibility for collecting, preparing or reviewing information that is provided for inclusion in a Disclosure Document or for certifying or confirming its accuracy in accordance with these Policies and Procedures, and those persons responsible for executing them, shall attend disclosure training sessions.

b. The determination as to whether or not an employee or group of employees shall receive such training shall be made by the Treasurer in consultation with Bond Counsel and the Chief Financial Officer.

## **C. Staff**

a. In addition to the Finance Staff identified above, information from various Electric System and Water and Sewer System level departments may be relevant in the disclosure update process. These System departments include:

- Electric Production Resource Planning
- Electric Transmission and Distribution Planning
- Electric Systems Operations
- Electric Transmission and Distribution Projects
- Electric Production
- Water and Wastewater Planning and Treatment Project Engineering
- Environmental Programs
- Permitting and Regulatory Conformance
- Government Affairs
- Emerging Workforce Strategies.

## **Section 7.0 General Principles**

7.1. Each Staff member participating in the disclosure process shall be responsible for raising potential disclosure items at all times in the process.

7.2 Each Staff member participating in the disclosure process should raise any issue regarding disclosure with the Treasurer or Chief Financial Officer at any time.

7.3 Recommendations for improvement of these Disclosure Policies shall be solicited and considered by the Treasurer and if revision is deemed to be appropriate will be reviewed by the Bond Counsel and the Chief Financial Officer.

7.4 The process of revising and updating Disclosure Documents by each Staff member should not be viewed as mechanical insertions of more current information; everyone involved in the process should consider the need for revisions in the form and content of the sections for which they are responsible.

7.5 The standard for accuracy and completeness is that there shall be **no untrue statement of material fact and no omission of a statement necessary to make the statements made, in light of the circumstances under which they were made, not misleading**. All participants in the process should keep this standard in mind.

*The Chief Financial Officer shall provide a report to the Finance and Audit Committee each year, at the time of the meeting of the Finance and Audit Committee immediately preceding the public dissemination of the Annual Disclosure Reports, regarding compliance with these Disclosure Policies during the preceding twelve month period. Such report shall (i) state whether the Annual Disclosure Reports for the current year are being prepared in compliance with these Disclosure Policies and whether all Disclosure Documents prepared during the prior twelve month period were prepared in accordance with the Disclosure Policies, (ii) describe any issues or problems which arose in connection with compliance with the Disclosure Policies during such period, (iii) present any recommendations for changes to the Disclosure Policies; (iv) provide an informational copy of the then current draft of the Annual Disclosure Reports to any Finance and Audit Committee member who requests one; and (v) provide a printed copy of the final Annual Disclosure Reports to all Board members.*

*A copy of these Disclosure Policies shall be distributed annually to Board members and all Finance Staff and Staff participating in the disclosure process. Any updates to these Disclosure Policies shall be distributed to such groups upon their issuance.*

#### **Section 8.0 Disclosure-Related Document Retention Practices.**

8.1 Consistent with JEA's Continuing Disclosure Undertakings, the following documents shall be maintained for the later of five years or the period of time required by JEA's records management or records retention program:

- Annual Continuing Disclosure Filings
- Bond Issue Bound Books or CD-ROMs containing bond issue documents
- Bond Issue Executed Documents
- Disclosure Documents
- Investor Materials
- JEA Financial Statements related to bonds
- Note Issue Bound Books or CD-ROMs containing note issue documents
- Note Issue Executed Documents
- Rating Agency Presentation Materials
- Records of all disclosure activities, including but not limited to telephone calls, emails and other inquiries from investors
- Unaudited Quarterly and Annual Financial Statements Audited by Outside Auditing Firm

#### **Section 9.0 Role of Bond Counsel**

9.1 JEA will require Bond Counsel to perform the following services in connection with the preparation of its Disclosure Documents:

- a. review and comment on JEA's Disclosure Documents;
- b. participate in the due diligence process conducted by the underwriters and their counsel;

- c. review presentations, if requested and, if requested, attend and/or listen to rating agency or investor presentations related to JEA's bonds, notes and other securities;
- d. advise JEA regarding:
  - (i) specific disclosure issues relating to JEA's financial operations, operating performance and capital program development, including funding, progress and problems;
  - (ii) standards of disclosure under applicable securities laws;
  - (iii) adequacy of JEA's disclosure in any Disclosure Document;
  - (iv) completeness and clarity of the information provided by the City in any Disclosure Document; and
  - (v) other matters as directed by JEA;
- e. interface with the Treasurer and Finance Staff with respect to any Disclosure Document;
- f. provide a securities law supplemental opinion for each financing transaction;
- g. participate in the preparation, review and approval of the Annual Disclosure Reports; and
- h. conduct periodic training of Board members, Finance Staff and Staff on the disclosure process contemplated by the Disclosure Policies and Procedures set forth herein as may be requested from time to time by the Treasurer.

## II. C.

Dark Fiber Utility Services for the 21<sup>st</sup> Century Digital Utility



Building Community

**AGENDA ITEM SUMMARY**

March 1, 2018

<b>SUBJECT:</b>	<b>DARK FIBER UTILITY SERVICES FOR THE 21<sup>ST</sup> CENTURY DIGITAL UTILITY</b>
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<b>Purpose:</b>	<input type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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**Issue:** JEA has been providing excess fiber optic infrastructure (Dark Fiber) to telecommunications carriers and government entities and intends to continue to lease Dark Fiber. JEA desires that the Board petition the City Council to “formally acknowledge” the Dark Fiber business offering and to allow JEA to expand this offering through prudent investment in network expansion and allow commercial leasing of Dark Fiber.

**Significance:** Despite a significant increase in the number of customers served and due to the efficiencies JEA’s customers have been achieving with JEA’s traditional electric and water/wastewater services, JEA has seen flat sales volume growth over the past decade. Providing Dark Fiber, via leases to government and business entities is a way for JEA to grow revenues. Additionally, network expansion would allow other local public agencies (City of Jacksonville, JAA, etc.) to leverage JEA Dark Fiber infrastructure for long-term, low-cost connectivity across Duval County. Finally, JEA Dark Fiber can contribute to a better quality of life for all Jacksonville residents through practical contributions of communication infrastructure in support of “Smart City” organizations such as the Northeast Florida Smart Region Coalition.

**Effect:** JEA’s limited telecommunication facility service allow carriers to “co-locate” on JEA towers and poles, and allows carriers and other customers to use excess fiber optic cables (Dark Fiber). If permitted to invest capital in expanding Dark Fiber services to commercial and government entities on a revenue recovery basis, JEA will develop a new revenue source that is poised for future growth.

**Cost or Benefit:** JEA will produce a new revenue stream with a positive cash flow and return on investment that exceeds JEA’s cost of capital. JEA will also have new capability to continue to lead local efforts in community and economic development.

**Recommended Board action:** Staff recommends that the Board approve the Resolution # 2018-01 authorizing JEA to invest in expansion and enhancement of the existing fiber optic network with the intention to lease Dark Fiber.

**For additional information, contact:** Paul Cosgrave, CIO

Submitted by: PEM/PJC

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

**Commitments to Action**

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



**INTER-OFFICE MEMORANDUM**

March 1, 2018

**SUBJECT:** DARK FIBER UTILITY SERVICES FOR THE 21<sup>ST</sup> CENTURY DIGITAL UTILITY

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**FROM:** Paul E. McElroy, Managing Director/CEO

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**TO:** JEA Finance and Audit Committee

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Kelly Flanagan, Chair  
Husein Cumber

**BACKGROUND:**

JEA has an existing fiber optic network supporting the Electric, Water, and Sewer utility operations, comprising over 550 miles of fiber optic cable. This fiber optic network has additional capacity available beyond that required by utility operations; this excess capacity is "Dark Fiber". JEA has leased and intends to continue to lease this Dark Fiber to all interested parties.

**DISCUSSION:**

Per present governance, JEA may lease excess fiber that is in our existing network. However, we cannot invest in new network expansion or enhancement unless it is in direct support of JEA utility services. Therefore, JEA cannot invest in our fiber network with the intention of leasing Dark Fiber, or as infrastructure to enable regional "Smart City" applications. The resolution for approval permits JEA to invest in fiber network expansion and enhancement for the purposes of increasing asset value and marketability, along with the intention to lease Dark Fiber commercially to interested parties including local government, non-profits, and Competitive Local Exchange Carriers (CLECs). This investment would not be driven primarily by utility services support, although utility services could benefit from such investment.

JEA is not offering telecommunications services; we will only be investing in fiber infrastructure to be made available through commercial lease to interested parties. We will not be providing 'lit' fiber or telecommunication services such as Internet service, or voice and data services.

If approved, all future deals shall be governed to ensure financial viability. For instance, the target benchmark for internal rate of return is 8% or greater over the life of the agreement and investment limits will apply on an agreement-specific basis.

If approved, we propose returning to the Board after a three-year "new business incubation" period to report earnings and status, and seek the Board's reauthorization to continue the growth of the Dark Fiber business.

**RECOMMENDATION:**

Staff recommends that the Board approve the Resolution #2018-01 authorizing JEA to invest in expansion and enhancement of the existing fiber optic network with the intention to lease Dark Fiber.

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Paul E. McElroy, Managing Director/CEO

PEM/PJC/SGS

**Resolution 2018-01**

**A RESOLUTION TO ADOPT AND APPROVE A DARK FIBER OPTIC NETWORK LEASING PROGRAM AT JEA**

**WHEREAS**, JEA has an existing fiber optic network supporting the JEA electric, water wastewater utility operations; and

**WHEREAS**, this fiber optic network has additional capacity available beyond that required by JEA's current utility operations; and

**WHEREAS**, JEA has leased and intends to continue to lease, at wholesale rates, additional fiber optic network capacity to increase utilization of JEA's assets, and invest in further expansion and enhancement of the fiber optic network based upon utility operations future needs as well as potential future lease opportunities ("Dark Fiber Optic Network Leasing Program"); and

**WHEREAS**, The Dark Fiber Optic Network Leasing Program to be offered by JEA will not provide any two-way telecommunications service to the public for hire, such as: broadband service; voice-over-Internet protocol service; commercial mobile radio service; facsimile transmission service; cable television service; intrastate interexchange telecommunications; or other types of two-way voice, data, or Internet service; and

**WHEREAS**, JEA plans to invest in fiber optic infrastructure only, and has no plans to commercially provide two-way telecommunications service to the public for hire; and

**WHEREAS**, the operation and maintenance of a Dark Fiber Optic Network Leasing Program at JEA expands beyond powers granted pursuant to JEA Charter, Section 21.04(p); and

**WHEREAS**, the JEA Charter, Section 21.04(v), provides that if JEA determines it is necessary or appropriate to provide, operate or maintain any other service or function other than electric, water, wastewater, or natural gas, JEA shall by resolution identify any additional service or function and indicate the desire to provide such services or functions to the council.

**BE IT RESOLVED** by the JEA Board of Directors that:

1. Pursuant to JEA Charter, Section 21.04(v), the JEA Board hereby determines that it is necessary and appropriate for JEA to provide, operate and maintain a JEA Dark Fiber Optic Network Leasing Program and hereby seeks adoption and approval by council.
2. There are no known relative real property tax treatment of JEA providing, operating, or maintaining the Dark Fiber Optic Network Leasing Program.

3. In accordance with JEA Charter, Section 21.07(e), the council may appropriate an annual portion of the available revenues from the Dark Fiber Optic Network Leasing Program based on a formula to be agreed upon by JEA and the council. Because this is a new program at JEA, no revenue from the Dark Fiber Network Leasing Program shall be appropriated until after the fifth year of operation at an agreed upon formula to be adopted and approved by JEA and council upon the fifth anniversary of the passage of the adopting resolution of council.

Dated this \_\_\_\_ day of March 2018.

**JEA**

By: \_\_\_\_\_  
G. Alan Howard, Chair

Attest:

\_\_\_\_\_  
Reverend Frederick Newbill, Secretary

Approved as to form:

\_\_\_\_\_  
Jody Brooks, Chief Legal Officer

II. C. Return to  
03/12/2018 Agenda

# JEA Dark Fiber Utility Services

JEA Board of Directors  
Finance & Audit Committee Meeting  
March 12, 2018



# Background

- JEA has an existing fiber optic network of over 550 miles supporting communication technology for Electric, Water, and Sewer utility operations.
- The fiber optic network has additional capacity available beyond that required by utility operations, this excess capacity is “Dark Fiber”
- JEA has leased, and intends to continue to lease, this Dark Fiber to interested governmental or commercial parties: FY18 projected revenues are \$1.7M.
- While JEA governance allows for the leasing of Dark Fiber on the existing network, it does not allow investment in new network expansion or enhancement unless it is in direct support of JEA utility services. We cannot expand our network for revenue growth or community development purposes.

# Dark Fiber Utility Services

**Future State:** We seek to “formally acknowledge” the Dark Fiber business and enact the required legislative changes which allow JEA to expand this offering. JEA would then pursue:

- Network expansion through prudent investment and financial viability
- Providing Dark Fiber Infrastructure locally to public agencies, non-profits, and Competitive Local Exchange Carriers (CLECs)
- Leadership in Jacksonville “Smart City” initiatives by providing communications technology in partnership with organizations such as the North Florida Transportation Planning Organization

## Benefits:

- **Community Benefit:** JEA can pursue community improvement projects and “Smart City” pilot initiatives that may not be of interest to commercial providers, and be the infrastructure provider for bridging Jacksonville’s “Digital Divide”
- **Economic Development:** A high-speed, redundant downtown ring connected to our local Network Access Provider (NAP) attracts and supports business growth downtown
- **New Utility Revenues:** With the coming boom in small cell growth, JEA’s telecom revenues could double in the next two years, and eclipse \$10M annually shortly thereafter



# Dark Fiber Financial Projections

Annual Revenue Forecast	2016	2017	2018	2019	2020	2021	2022
<b>Dark Fiber Leasing Revenues</b>	\$ 23,607	\$ 1,919,144	\$ 1,965,824	\$ 2,628,491	\$ 2,730,017	\$ 2,837,466	\$ 2,951,304
Expenses	2016	2017	2018	2019	2020	2021	2022
<b>Total Dark Fiber Operating Expenses</b>	\$ 638,796	\$ 761,272	\$ 774,899	\$ 788,962	\$ 803,474	\$ 818,450	\$ 833,902
O&M <sub>1</sub>	\$ 358,796	\$ 482,135	\$ 496,599	\$ 511,497	\$ 526,842	\$ 542,647	\$ 558,927
Depreciation <sub>2</sub>	\$ 280,000	\$ 279,137	\$ 278,300	\$ 277,465	\$ 276,632	\$ 275,803	\$ 274,975
<b>Projected Capital Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

All current capital expenses are part of Fiber R&R budget (for utility services only).

Future capital expenses will be customer project-driven, ensuring financial viability and rate of return targets.

## Notes and Assumptions - Dark Fiber

1: O&M: 3% annual growth of Allocated Salaries, OT, and Benefits is based on cost center B0011 - Management(50%) and 30904 Management (35%) & Dedicated staff (100%)

2: Depreciation: From Project Accounting's Power Plan assets labeled Fiber Optics. Actuals are allocated based on approx. Strand Miles assumed available for lease (38.7%)

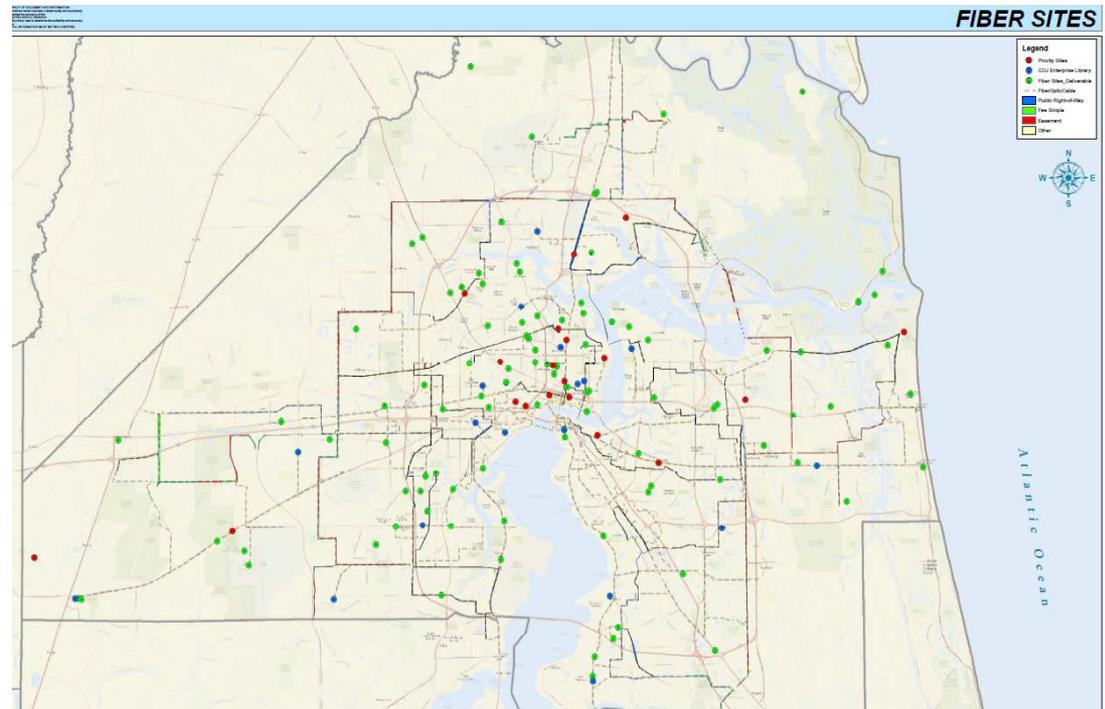
- Dark Fiber revenues can be impacted by long sales cycles, due to:
  - Construction activities
  - Changes in Information and Communications Technology (ICT)
  - Client change management (from lit to dark fiber services)
- Contact terms are typically 5-years or greater, enabling return on client investment



# Dark Fiber Financial Projections

- Proposed project will expand JEA fiber infrastructure and connect 35 high-priority City of Jacksonville sites
  - Proposal reduces COJ telecom expenses by leveraging JEA Fiber infrastructure
  - Proposal is Phase I of a potential multi-phased project, which could include 150 sites throughout Jacksonville
  - Estimated construction cost (Phase 1): \$598,000
- Service Options:
  - Option 1: 10-Year Term
    - Annual Rent: \$113K
    - Savings 34% over current
  - Option 2: 20-Year Term
    - Annual Rent: \$89K
    - Savings 54% over current

*Additional benefit: Further enhances redundancy and resiliency of the JEA fiber network in support of core utility business.*



# Program Governance

- Investments in new network infrastructure shall be governed to ensure financial viability:
  - Internal Rate of Return benchmarks
  - Investment limits will apply on an agreement-specific basis
- After a three-year “business incubation” period, return to the Board to report earnings and status
  - Will potentially seek Board re-authorization to continue business development of Dark Fiber program
- Authorization to proceed requires both JEA Board and Jacksonville City Council approval of Resolution #2018-01
  - Targeting June City Council meeting, if approved by JEA Board

# What We're NOT Doing...

- Approval of this Resolution #2018-01 will not make JEA a telecommunications services provider. It will only allow us to further invest in our existing network for the purpose of leasing Dark Fiber
- We have no plans to offer “fiber to the home” solutions. We will not be providing “lit” fiber to any commercial customers, or telecommunication services such as internet service or voice and data services to any customers
- Approval of this Resolution #2018-01 means future investment in fiber expansion might not be directly driven by the utility services, although utility services could benefit from such investment by increased redundancy and improved communications quality

II. D.

Quarterly Audit Services Update



Building Community

### AGENDA ITEM SUMMARY

February 23, 2018

<b>SUBJECT:</b>	<b>AUDIT SERVICES – QUARTERLY ENTERPRISE RISK MANAGEMENT (ERM)/AUDIT UPDATE</b>
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<b>Purpose:</b>	<input checked="" type="checkbox"/> Information Only	<input type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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**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

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

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

II. D.  
03/12/2018

Return to  
Agenda

# **Audit Services Q1 FY18 Report**

**Steve Tuten - Director, Audit Services**



# Audit Services Q1 FY18 Report – Table of Contents

<u>Team</u>	<u>Pages</u>
• Internal Audit	3-6
• Enterprise Risk Management (ERM)	7-14
• Ethics Investigations & Audit	15-17

# Internal Audit Team Highlights

- **FY18 Internal Audit Plan** – The current timeline and details regarding the FY18 Plan, as of January 31, 2018, are shown on pages 4-5; the full year's schedule is listed on page 4, and the audits in progress are presented on the following page.
- **Open Audit and Investigation Report Issues** - As of 12/31/17, there were 69 open issues requiring management's corrective action plans. This represents an increase of fourteen (14) open items since our last report. This is primarily a timing issue due to the recent issuance of several audit reports. See page 6 for the distribution of these issues by issue rating and action plan due date.

# FY18 Internal Audit Plan – Full 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				
2017 Safety and Health	David Arnold	8/10/2017	Final Draft Issued	350	330	●	Slightly delayed due to Hurricane Irma.	2/1/2018	-	Satisfactory
2017 Customer Revenue – Branch	Rashid Brittain	9/27/2017	Final Draft Issued	300	267	●	Slightly delayed due to Hurricane Irma.	12/20/2017	-	Needs Improvement
2017 Permitting and Regulatory Conformance	Troy England / Andrew	11/3/2017	Reporting	400	474	●	New auditor assigned to audit. Some time spent on planning for a w/w/w audit.	-	-	-
JEA/SJRPP Performance Pay Audit	TE	N/A	Completed	200	131	●	Incentive Pay Review memos issued on: (SJRPP) - 11/8/2017 / (JEA) - 11/22/17	-	-	-
TEA Audit	LG/RB	N/A	Completed	300	214	●	TEA Audit Report will be presented to the TEA Board on February 27, 2018.	-	-	-
Personnel Out Process (POP)	DA	12/11/2017	Testing	300	222	●	Complex audit with possible major issues.	-	-	-
W/W/W Project Engineering & Construction	TE/AS	TBD	Planning	500	126	●				
T&D Electric Transmission Planning	Laurie Gaughan	12/5/2017	Testing	450	277	●	On track to meet deadline.			
Telecommunications & Support	RB	12/19/2017	Testing	450	141	●	On track to meet deadline.			
Disaster Recovery Follow-Up	RB		Not Started	250						
Customer Experience Centers	DA		Not Started	400						
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/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	123	●				
FY2018 Action Plan Follow-Up	All Staff		Ongoing	625	278	●				
FY2019 Audit Plan	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.

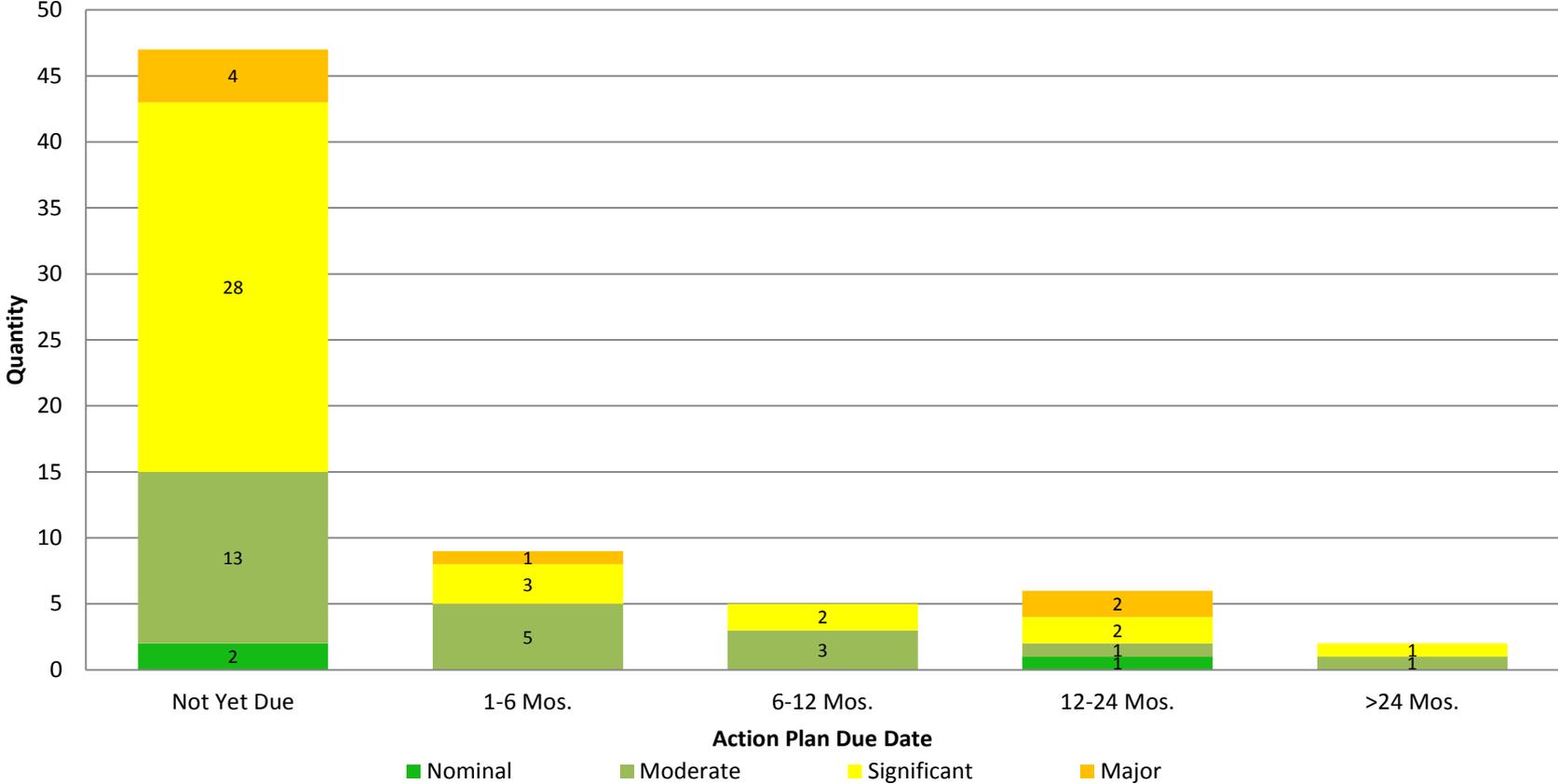
# FY18 Internal Audit Plan – In Progress

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 <i>[adjusted]</i>	Actual Hours	Will Meet/Met Budget				
2017 Safety and Health	David Arnold	8/10/2017	Final Draft Issued	350	330	●	Slightly delayed due to Hurricane Irma.	2/1/2018	-	Satisfactory
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●	Audit will be/has been completed significantly above estimated hours and due date.

# Open Audit and Investigation Report Issues

## Open Action Plan (69) 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

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



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 – Top Corporate Risk Score Changes

- There were no score changes to the Top Corporate Risks this quarter.
- We continue to monitor any events that would impact the top corporate risks, as well as the implementation and effectiveness of mitigations.

# ERM - Tier 1 Top Corporate Risk Trends (Q1 FY18)

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				FY18	Long Term Risk Exposure Trend (> 5 Years)	Change
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1		
<b>Electric Risks</b>																		
E01 - Carbon Emission Mitigation - Clean Power Plan	20	25	25	25	25	25	25	25	25	25	25	25	25	20	15	15	↔ Stable	
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	10	10	10	10	10	10	15	15	15	15	15	↔ Stable	
E05 - Cooling Water Intake Structures 316(b)	10	10	10	10	10	10	10	10	10	10	20	20	20	20	20	20	↔ Stable	
E06 - Long-term Planning/Load Forecast - Electric	6	10	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	
<b>Water/Wastewater Risks</b>																		
W01 - Water Supply Management/Long Term Planning	12	12	15	15	15	15	15	15	15	15	15	15	15	15	15	15	↑ Increasing	
W03 - Sanitary Sewer Overflow Management	6	6	6	6	8	8	8	8	8	8	8	8	12	12	12	12	↓ Decreasing	
<b>Corporate Wide Risks</b>																		
H01 - Pensions	20	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)	12	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	12	↑ Increasing	
C16 - Weather & Climate Change Impact											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 – Tier 2 Top Corporate Risk Trends (Q1 FY18)

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				FY18	Long Term Risk Exposure Trend (> 5 Years)	Change
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1		
<b>Electric Risks</b>																		
E02 - Effluent Limitation Guidelines	16	16	16	16	16	16	16	16	16	16	20	20	15	8	8	8	↔ Stable	
E09 - FERC/NERC (Section 693) O&P Reliability & Compliance	9	9	8	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	9	9	9	9	↑ Increasing	
E08 - SJRPP	9	9	9	9	9	9	9	9	9	9	9	9	9	6	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	6	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	
<b>Water/Wastewater Risks</b>																		
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	
<b>Corporate Wide Risks</b>																		
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	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	↔ Stable	
H03 - Public and Employee Safety	6	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	↔ Stable	
T01 - Technology Infrastructure Reliability	12	12	12	12	4	4	4	4	8	8	8	8	8	8	8	8	↔ Stable	
T03 - Cyber Security Business Disruption					8	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	8	↔ Stable	
T05 - Technology Services Resource Optimization								9	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	10	10	10	10	10	10	10	10	8	8	8	8	8	8	8	8	↔ Stable	
W06 - Water Quality Management										8	8	8	8	8	8	8	↔ Stable	

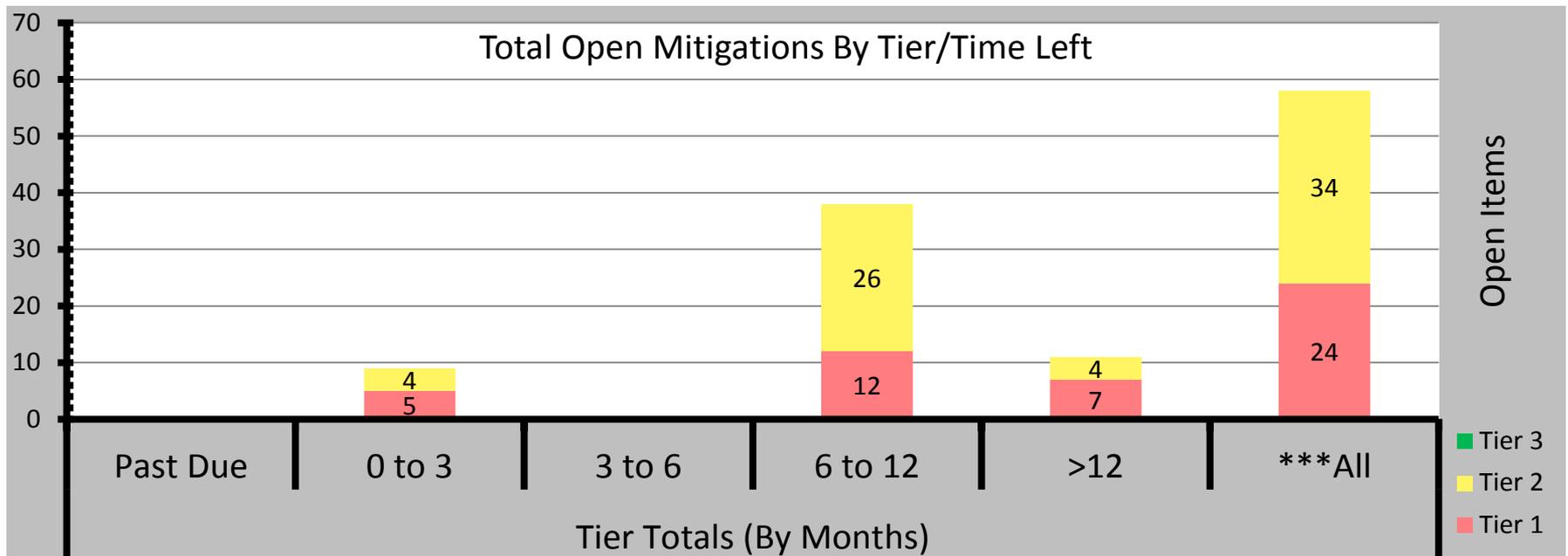


These risks are primarily operational in nature. Although the impact can still be significant, JEA has more flexibility in mitigating the risks.

# ERM – Open Mitigations – Tier and Timeframe

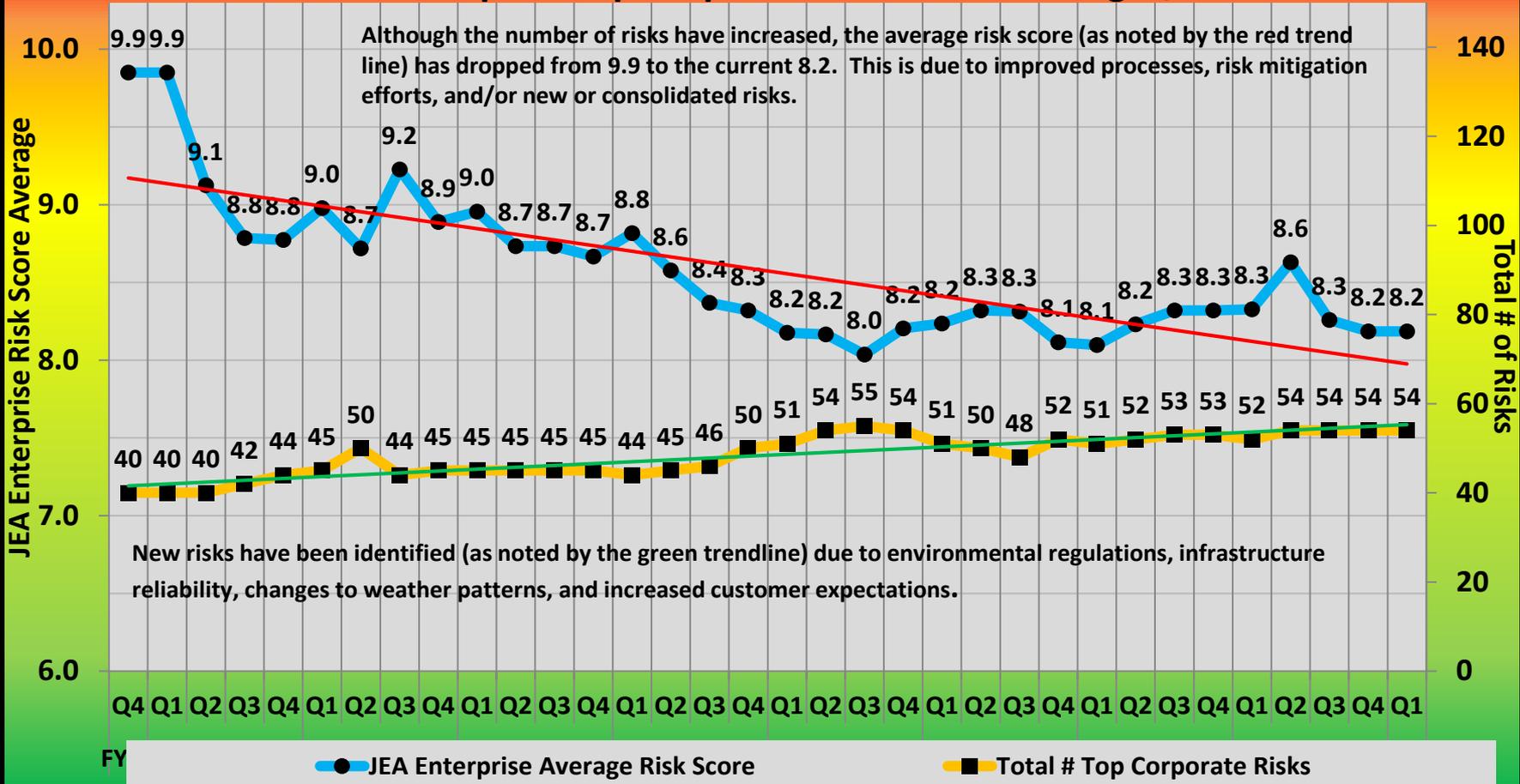
## Top Corporate Risks and Mitigations - As of Q1 FY2018

Metric	Total	Electric	Water	Corporate	Comments
# Risks With No Open Mitigations	28	9	2	17	Current mitigations and processes are deemed effective to manage these risks to the extent possible at this time.
# Risks With Open Mitigations	26	11	3	12	Mitigations are in process to further enhance controls.
# Top Corporate Risks	54	20	5	29	
# Open Mitigations	47	11	9	27	
Total Initial Open Mitigations as of 9/30/2017	Closed	Added	Open	Extensions	Comments
91	53	9	47	0	***Some mitigations may be shared amongst chief/VP areas and hence, are double counted in their additions or reductions as needed.



# ERM – Top Corporate Risk Score Trends

## JEA Enterprise Top Corporate Risk Score Averages/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 Score Trends - Details

<u>Start</u>	<u>End</u>	<u>Initial #</u>	<u>End #</u>	<u>Explanation</u>
<b>"# of Risks" Large Fluctuations (&gt;4)</b>				
FY2009 Q1	FY2011 Q1	36	50	Change due to new environmental risks (e.g. CCR, 316b), financial risk (interest rates), and splitting pension risk
FY2011 Q1	FY2011 Q2	50	44	Change due to consolidation of environmental risks and others (e.g. Pension[SJRPP], System Security, National Emission Standards, Waste Water regs, Other Emissions, Env Compliance, Pandemic)
FY2012 Q4	FY2014 Q1	44	54	Change due to new risks (e.g. T&D, Pandemic, MATS, Scherer lawsuit, Substation, Cybersecurity)
FY2014 Q2	FY2015 Q1	54	49	Consolidated risks into one overall as Black Swan events
FY2016 Q1	FY2017 Q1	50	54	Change due to new risks (CS Business Disruption, TS DRBC, Natural Gas, Water Quality)
<b>"Average Risk Score" Large Fluctuations (Uptrends or Downtrends)</b>				
FY2009 Q1	FY2010 Q2	10.2	8.8	A number of T1 risks were lowered to T2 and/or T3 as well as additional T2/T3 risks (Consolidation of financial risks, new T2 and T3 risks [CCR, Emission Standards, 316(b), ELG] lowered average)
FY2011 Q2	FY2012 Q3	9.2	8.7	# Tier 1 risks lowered to T2 risks as well as decreasing scores for FERC/NERC, interest rates risk, CCR, nutrient criteria, and Water
FY2012 Q3	FY2014 Q2	8.7	7.9	Decreasing scores for staffing and several environmental risks, T1's and T2's became T3's (e.g. renewable energy standards, numeric criteria, interest, IRS Bond)
FY2015 Q3	FY2017 Q1	8	8.5	Environmental risk scores increased as deadlines approach
FY2017 Q2	FY2017 Q3	8.6	8.3	Drop is due to reduction of risk scores for SJRPP decommissioning, ELG cost reduction due to SJRPP, CPP (less certainty on regulation), and pension liability mitigation.

# ERM – Current Projects

INITIATIVE	PROJECT SCOPE	STATUS
<b>Risk Validation/ Key Risk Indicators (KRIs)</b>	A pilot is underway to identify KRIs that would validate the effectiveness of current and/or open mitigations/controls and risk scores in managing risk exposure	<ul style="list-style-type: none"> <li>• Strategy to develop KRI/KPI is under review.</li> </ul>
<b>Expanding Corporate Wide Risk Culture</b>	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"> <li>• 110 employees trained to date.</li> <li>* Initiative to expand required training to all appointed employees (approx., 258).</li> <li>• Expand training to include fraud awareness and detection skills.</li> </ul>
<b>Director Level Risk Assessments</b>	Continue to conduct risk assessments at the business unit level to assess adequacy of processes and controls that may impact mitigating the Top Corporate risks.	<ul style="list-style-type: none"> <li>• In progress and ongoing. Currently 15 business units in review.</li> </ul>
<b>District Energy (DE) Risks</b>	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, Hospital).	<ul style="list-style-type: none"> <li>• Initial risk assessment completed.</li> <li>* Working with operations management in assessing severity of noted gaps and developing mitigation plans.</li> <li>* Possible new Top Corporate risk</li> </ul>
<b>Supply Chain Risk Management</b>	Working with Procurement, CIP Compliance and Financial Services areas to develop a process to evaluate counterparties utilized by various business functions both on financial stability (i.e. credit risk), potential disruption of services provided, and any vendor misconduct which can impact JEA's reputation.	<ul style="list-style-type: none"> <li>• Identifying risk criteria/risk tolerances.</li> <li>• Aligning current vendors to risk criteria</li> <li>• Expanded to include Cyber Security risks.</li> </ul>
<b>Customer Battery Rebate Program</b>	In conjunction with the Customer Solutions area, perform a risk assessment and develop strategy for this program	<ul style="list-style-type: none"> <li>• <b>Completed.</b></li> </ul>
<b>Information Security Governance</b>	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"> <li>• In progress and ongoing.</li> </ul>
<b>Terrorism</b>	In conjunction with Security Services, we are assessing the potential for terrorism risk to JEA in relation to potential impacts and identifying any significant gaps that require remediation – including Active Shooter risks and controls.	<ul style="list-style-type: none"> <li>• In progress and ongoing.</li> </ul>
<b>Personnel Out Processing (POP)</b>	In conjunction with Internal Audit and the appropriate operational areas, we are assessing the adequacy and effectiveness of the POP process.	<ul style="list-style-type: none"> <li>• In progress.</li> </ul>
<b>Safety Initiatives</b>	In conjunction with Internal Audit, working with Safety areas to enhance mitigations for Employee Safety risk.	<ul style="list-style-type: none"> <li>• In progress.</li> </ul>
<b>ERM Tracking/Reporting Application</b>	Implement an application (SecureWatch) to automate and facilitate the tracking and reporting of Top Corporate Risks, director Level Risks, Project Risk Assessment, as well as open and completed mitigations and internal controls.	<ul style="list-style-type: none"> <li>• Project is in the Proof of Concept Stage .</li> </ul>

## Ethics Hotline (EHL) Case Statistics – 1Q FY18

Open Cases 9/30/2017	Cases Opened 1Q FY18	Cases Closed 1Q FY18	Open Cases 12/31/2017
14	8	6	16

Categories For Cases Opened During 1Q FY18	
Discrimination/Harassment	3
Fraud/Waste/Abuse	2
Regulatory/Environmental	2
Conflict of Interest/Ethics Matters	1
Total	8

# Summary of Closed EHL Cases - 1Q FY18

Reporting Source	Allegation	Investigation Results
EHL	JEA-16-03-0003 - The caller alleged there were discrepancies in adherence with regulations relating to water sampling and other lab standard operating procedures. The caller also alleged management retaliation.	A consultant was engaged to address the validity of the caller's allegations. The consultant reported that "...overall the general laboratory operations at JEA were noted to be functioning at a very high level when compared to the industry norm..." Management took action to correct the specific issues identified by the consultant. Regarding the retaliation allegation, the caller concurrently reported the matter directly to Labor Relations, which conducted a separate investigation addressing the complaint.
Internal	JEA-17-01-0001 - An anonymous tip was received alleging an employee may be using JEA's vehicle and computer in a personal dock business.	Evidence was found to confirm the employee used JEA's vehicle and computer in support of a personal business. In addition, a joint investigation with the City's Office of Inspector General revealed the employee falsified time and attendance records and received payment for time not worked. As a result, the individual is no longer employed by JEA. Restitution was requested through JEA's legal counsel.
Internal	JEA-17-03-0006 - An anonymous complainant alleged a retired JEA employee was tailgating onto JEA property and had stolen JEA materials and equipment.	Video evidence confirmed the subject's vehicle tailgated onto JEA property; however, there was no evidence to substantiate the allegation of theft. As a result of the investigation, JEA Security met with the facility's management to reiterate security protocol for visitors. Also, additional barrier arms were installed at vehicle entry and exit points to reduce the ability of unauthorized vehicle access to the property.

# Summary of Closed EHL Cases - 1Q FY18 (concluded)

Reporting Source	Allegation	Investigation Results
EHL	JEA-17-04-0001 - An employee reported that an advertising letter was received from a former JEA employee. The complainant questioned how the former employee was able to obtain home addresses of employees.	Our investigation revealed the former JEA employee made a valid public records request, which was fulfilled in accordance with the public records law.
EHL	JEA-17-09-0001 - An anonymous caller alleged a JEA Associate Manager engaged in unethical behavior by favoring certain employees.	A joint investigation with Labor Relations determined the allegations could not be substantiated.
EHL	JEA-17-10-0001 - An anonymous caller reported that a JEA employee made threatening statements and treated the caller in an aggressive manner.	Because this case dealt with workplace harassment, it was referred to Labor Relations. It was determined both employees were involved in an altercation, for which both were counseled and assigned to work on separate crews.

**II. E.**

**Ethics Officer Quarterly Report**



Building Community

### AGENDA ITEM SUMMARY

February 23, 2018

<b>SUBJECT:</b>	<b>ETHICS OFFICER QUARTERLY REPORT</b>
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<b>Purpose:</b>	<input checked="" type="checkbox"/> Information Only	<input type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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**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

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

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

# JEA

## Ethics Officer Report

March 12, 2018

### Creating an Ethical Culture

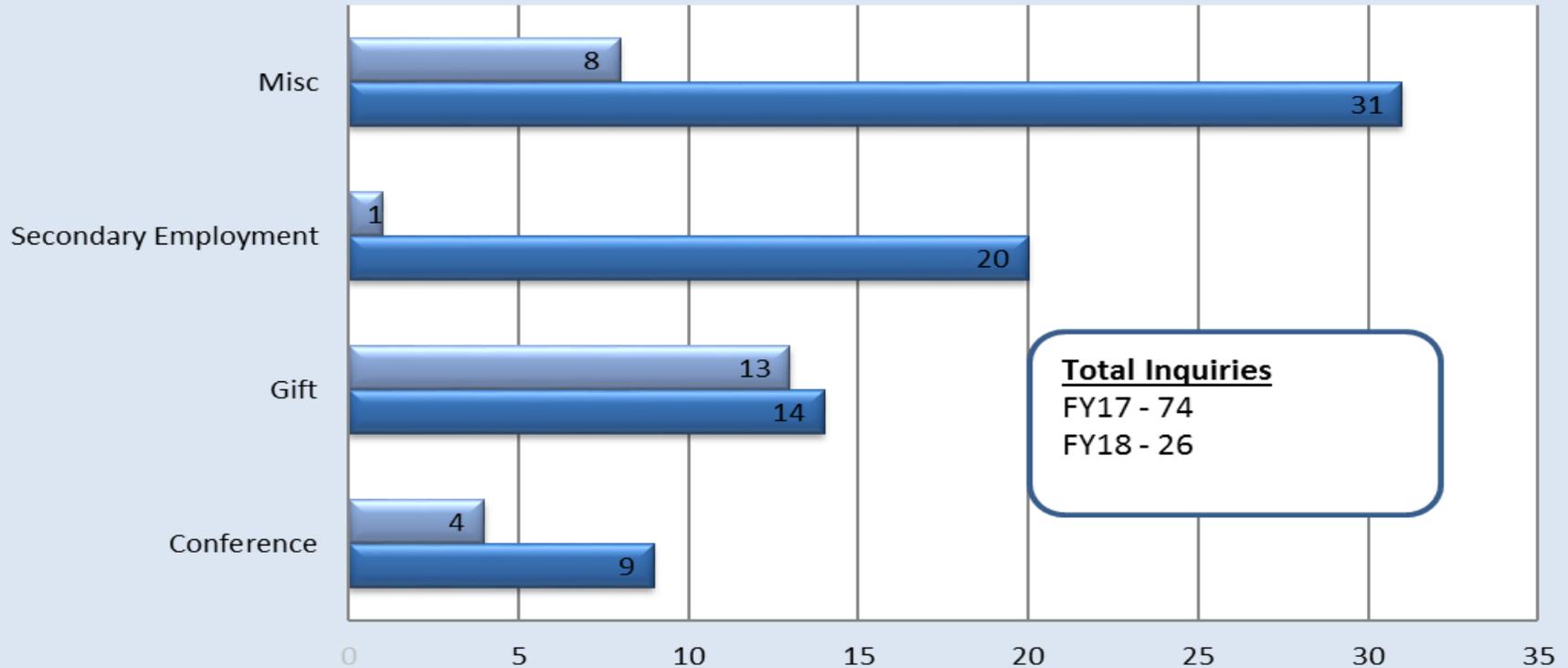
JEA will conduct its business fairly, impartially, in an ethical and proper manner, and in full compliance with all applicable laws and regulations.

**Walette Stanford, JEA Ethics Officer**



# FY17/FY18 Comparisons

## Ethics Inquiries Comparison FY17/FY18

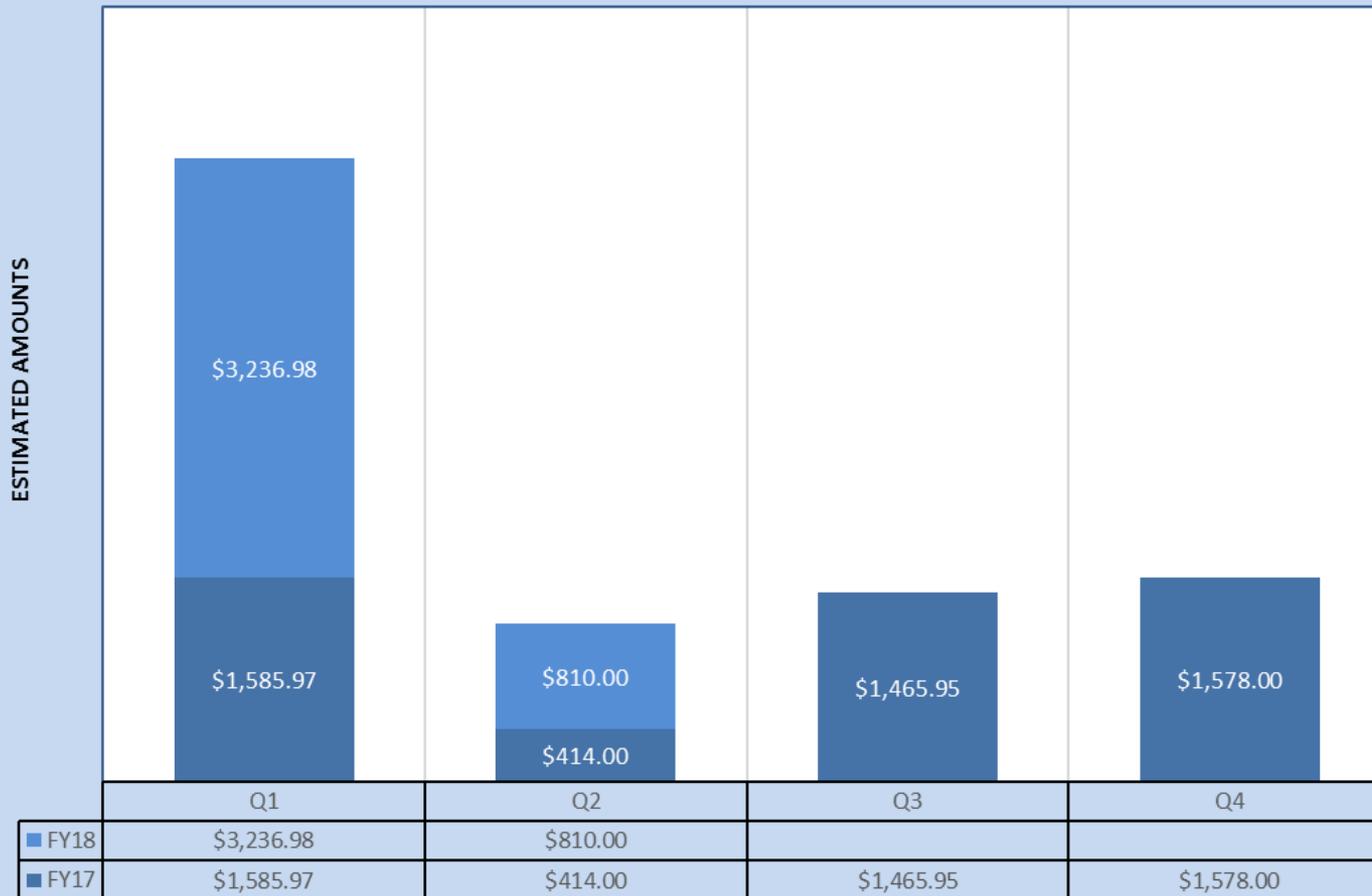


**Total Inquiries**  
 FY17 - 74  
 FY18 - 26

	Conference	Gift	Secondary Employment	Misc
■ FY18	4	13	1	8
■ FY17	9	14	20	31

# FY17/FY18 Gift Registry

## FY17/FY18 GIFT ESTIMATES COMPARISON PER QUARTER



Food items: Lunch voucher, business lunch, assorted popcorn, event dinner, catered BBQ lunch

Promotional items: calendar, Jaguar tickets (150), Icemen hockey tickets, luggage set, gift baskets, golf shirts

Misc: travel bag, Yeti cooler, tote bag, gift cards, train set, flame scanners (13)

# Ethics Officer Cases - Five Years in Review



# Business Ethics Update and What's Next

- Updated the “Ethics Coordination Council” Citywide Ethics plan (JEA section only) on January 11<sup>th</sup>.
- Updated the Ethical Conduct Guidelines on January 19<sup>th</sup>.
- Revamped the JEA Business Ethics page on Sharepoint.
- Rolling out the company-wide Ethics training on March 1<sup>st</sup>.
- Creating a new Secondary employment template so employees can update it annually via Sharepoint.

## Quotation on Ethics

*“Whenever you do a thing, act as if all the world were watching”*

*- Thomas Jefferson*

**II. F. 1.**

**Electric System and Water and Sewer System  
Reserve Fund Quarterly Report**



Building Community

**AGENDA ITEM SUMMARY**

February 26, 2018

<b>SUBJECT:</b>	<b>ELECTRIC SYSTEM AND WATER AND SEWER SYSTEM RESERVE FUND QUARTERLY REPORT</b>
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<b>Purpose:</b>	<input checked="" type="checkbox"/> Information Only	<input type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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**Issue:** Electric System and Water and Sewer System Reserve Fund Quarterly Report as of December 31, 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

<b>MISSION</b>  Energizing our community through high-value energy and water solutions.	<b>VISION</b>  JEA is a premier service provider, valued asset and vital partner in advancing our community.	<b>VALUES</b> <ul style="list-style-type: none"><li>• Safety</li><li>• Service</li><li>• Growth<sup>2</sup></li><li>• Accountability</li><li>• Integrity</li></ul>
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**Commitments to Action**

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



**INTER-OFFICE MEMORANDUM**

February 26, 2018

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

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**FROM:** Paul E. McElroy, Managing Director/CEO

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**TO:** JEA Finance and Audit Committee

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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 December 31, 2017.

**RECOMMENDATION:**

No action required; provided for information only.

\_\_\_\_\_  
Paul E. McElroy, Managing Director/CEO

PEM/MHD/JEO/BHG

# II. F. 1. Return to 03/12/2018 Agenda

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

For the Fiscal Quarter Ending December 31, 2017  
(In Thousands of Dollars)

<u>Electric System</u>	<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Detail</u>
	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>Page #</u>
<b>Unrestricted</b>					
Operations/Revenue Fund	\$ 46,624	\$ 56,665	\$ 54,815	\$ 55,216	
Self Insurance Reserve Fund					
• Property	10,000	10,000	10,000	10,000	3
• Employee health insurance	10,937	11,179	9,214	9,214	4
Rate Stabilization					
• Fuel	150,742	180,115	131,716	92,095	5
• DSM/conservation	2,886	3,515	3,695	3,625	6
• Environmental	23,430	29,975	36,417	42,416	7
• Debt Management	42,126	42,126	29,884	29,884	8
• Non-Fuel Purchased Power	38,000	34,400	25,189	53,539	9
Environmental	18,662	18,556	18,556	17,647	10
Customer Deposits	42,389	41,084	42,105	42,603	11
<b>Total Unrestricted</b>	<b>385,796</b>	<b>427,615</b>	<b>361,590</b>	<b>356,239</b>	
<b>Days of Cash on Hand (2)</b>	<b>225</b>	<b>270</b>	<b>234</b>	<b>202</b>	
<b>Restricted</b>					
Debt Service Funds (Sinking Funds)	134,927	136,232	167,087	160,347	12
Debt Service Reserve Funds	64,595	60,582	60,582	60,582	13
Renewal and Replacement Funds/OCO (3)	145,711	192,179	201,368	195,467	14
Construction Funds	-	-	-	-	15
<b>Total Restricted</b>	<b>345,233</b>	<b>388,993</b>	<b>429,037</b>	<b>416,396</b>	
<b>Total Electric System</b>	<b>\$ 731,029</b>	<b>\$ 816,608</b>	<b>\$ 790,627</b>	<b>\$ 772,635</b>	
<hr/>					
<b><u>Water and Sewer System</u></b>					
<b>Unrestricted</b>					
Operations/Revenue Fund	\$ 22,588	\$ 42,948	\$ 69,199	\$ 46,767	
Rate Stabilization					
• Debt Management	20,290	20,290	14,209	14,209	16
• Environmental		1,699	5,214	9,748	17
Customer Deposit	13,255	13,910	15,086	15,270	18
<b>Total Unrestricted</b>	<b>56,133</b>	<b>78,847</b>	<b>103,708</b>	<b>85,994</b>	
<b>Days of Cash on Hand (2)</b>	<b>466</b>	<b>528</b>	<b>496</b>	<b>441</b>	
<b>Restricted</b>					
Debt Service Funds (Sinking Funds)	67,720	65,410	82,208	81,727	19
Debt Service Reserve Funds	108,849	108,086	107,488	102,850	20
Renewal and Replacement Funds					
• R&R/OCO (4)	76,020	76,020	54,699	54,440	21
• Capacity Fees/State Revolving Loans	90,912	103,411	95,620	57,590	22
• Environmental	19,245	2,659	1,839	2,067	23
Construction Funds	664	152	15	-	24
<b>Total Restricted</b>	<b>363,410</b>	<b>355,738</b>	<b>341,869</b>	<b>298,674</b>	
<b>Total Water &amp; Sewer System</b>	<b>\$ 419,543</b>	<b>\$ 434,585</b>	<b>\$ 445,577</b>	<b>\$ 384,668</b>	

(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 Self Insurance - Property

**For the Fiscal Quarter Ending December 31, 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 12/31/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	<u>2019</u>	<u>2020</u>	<u>2021</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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</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 December 31, 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 12/31/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	<u>2019</u>	<u>2020</u>	<u>2021</u>
Opening Balance	\$ 9,214	\$ 9,214	\$ 9,214	N/A	\$ 11,179	\$ 9,214	\$ 9,214	\$ 9,214
Additions:								
Employee Contributions	1,494	1,494	6,155	N/A	5,862	6,463	6,786	7,125
Retiree & Other Contributions	1,927	1,927	6,830		6,443	7,239	7,674	8,134
Employer Contributions	4,650	4,650	21,915		19,004	22,898	23,940	25,041
Sub-total	\$ 8,071	\$ 8,071	\$ 34,900	\$ -	\$ 31,309	\$ 36,600	\$ 38,400	\$ 40,300
Deductions:								
Payments for Claims	7,682	7,682	32,574	N/A	30,994	34,228	35,980	37,832
Actuary & Other Payments	490	490	2,326		2,280	2,372	2,420	2,468
Sub-total	\$ 8,172	\$ 8,172	\$ 34,900	\$ -	\$ 33,274	\$ 36,600	\$ 38,400	\$ 40,300
Ending Balance	\$ 9,113	\$ 9,113	\$ 9,214	N/A	\$ 9,214	\$ 9,214	\$ 9,214	\$ 9,214

<i>(In Thousands)</i>	Historical					Statistical			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	Low	Median	Mean	High
Opening Balance	\$ 15,440	\$ 15,914	\$ 10,749	\$ 10,937	\$ 11,179	\$ 10,749	\$ 11,179	\$ 12,844	\$ 15,914
Additions:									
Employee Contributions	5,893	4,573	5,447	5,460	5,862	4,573	5,460	5,447	5,893
Retiree & Other Contributions	5,701	5,188	5,141	5,694	6,443	5,141	5,694	5,633	6,443
Employer Contributions	20,629	14,252	22,220	24,231	19,004	14,252	20,629	20,067	24,231
Sub-total	\$ 32,223	\$ 24,013	\$ 32,808	\$ 35,385	\$ 31,309				
Deductions:									
Payments for Claims	29,354	27,157	30,408	32,946	30,994	27,157	30,408	30,172	32,946
Actuary & Other Payments	2,395	2,021	2,212	2,197	2,280	2,021	2,212	2,221	2,395
Sub-total	\$ 31,749	\$ 29,178	\$ 32,620	\$ 35,143	\$ 33,274				
Ending balance	\$ 15,914	\$ 10,749	\$ 10,937	\$ 11,179	\$ 9,214	\$ 9,214	\$ 10,937	\$ 11,599	\$ 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 December 31, 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 12/31/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
Opening Balance	\$ 131,716	\$ 131,716	\$ 131,716	N/A	\$ 180,115	\$ 92,095	\$ 95,974	\$ 100,497
Additions:								
Contributions			-		2,845	3,879	4,523	
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ 2,845	\$ 3,879	\$ 4,523	\$ -
Withdrawals	9,438	9,438	39,621	32,800	51,244			10,689
Customer Fuel Rebate Credit				-	-			
Sub-total	\$ 9,438	\$ 9,438	\$ 39,621	\$ 32,800	\$ 51,244	\$ -	\$ -	\$ 10,689
Ending Balance	\$ 122,278	\$ 122,278	\$ 92,095	N/A	\$ 131,716	\$ 95,974	\$ 100,497	\$ 89,808

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 92,362	\$ 108,289	\$ 105,457	\$ 150,742	\$ 180,115	\$ 92,362	\$ 108,289	\$ 127,393	\$ 180,115
Additions:									
Contributions	52,523	22,496	95,224	85,979	2,845	2,845	52,523	51,813	95,224
Sub-total	\$ 52,523	\$ 22,496	\$ 95,224	\$ 85,979	\$ 2,845	-	-	-	-
Deductions:									
Withdrawals					51,244	51,244	51,244	51,244	51,244
Fuel Rebate Credit	36,596	25,328	49,939	56,606		25,328	43,268	42,117	56,606
Sub-total	\$ 36,596	\$ 25,328	\$ 49,939	\$ 56,606	\$ 51,244	-	-	-	-
Ending balance	\$ 108,289	\$ 105,457	\$ 150,742	\$ 180,115	\$ 131,716	\$ 105,457	\$ 131,716	\$ 135,264	\$ 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 December 31, 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 12/31/2017		Full Year			Projection		
	Current Quarter	Year-to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
Opening Balance	\$ 3,695	\$ 3,695	\$ 3,695	N/A	\$ 3,515	\$ 3,625	\$ 3,397	\$ 3,169
Additions:								
Contributions	1,535	1,535	7,029	7,515	6,685	6,871	6,871	6,871
Other								
Sub-total	\$ 1,535	\$ 1,535	\$ 7,029	\$ 7,515	\$ 6,685	\$ 6,871	\$ 6,871	\$ 6,871
Withdrawals	1,199	1,199	7,099	8,126	6,505	7,099	7,099	7,099
Sub-total	\$ 1,199	\$ 1,199	\$ 7,099	\$ 8,126	\$ 6,505	\$ 7,099	\$ 7,099	\$ 7,099
Ending Balance	\$ 4,031	\$ 4,031	\$ 3,625	N/A	\$ 3,695	\$ 3,397	\$ 3,169	\$ 2,941

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 6,912	\$ 3,891	\$ 3,570	\$ 2,886	\$ 3,515	\$ 2,886	\$ 3,570	\$ 4,155	\$ 6,912
Additions:									
Contributions	6,683	6,929	7,059	7,232	6,685	6,683	6,929	6,918	7,232
Transfer from Rev Fd						-	-	-	-
Sub-total	\$ 6,683	\$ 6,929	\$ 7,059	\$ 7,232	\$ 6,685				
Deductions:									
Withdrawals	9,704	7,250	7,743	6,603	6,505	6,505	7,250	7,561	9,704
Sub-total	\$ 9,704	\$ 7,250	\$ 7,743	\$ 6,603	\$ 6,505				
Ending balance	\$ 3,891	\$ 3,570	\$ 2,886	\$ 3,515	\$ 3,695	\$ 2,886	\$ 3,570	\$ 3,511	\$ 3,891

Observations:

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

## Electric System Rate Stabilization - Environmental

**For the Fiscal Quarter Ending December 31, 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 12/31/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
Opening Balance	\$ 36,417	\$ 36,417	\$ 36,417	N/A	\$ 29,975	\$ 42,416	\$ 48,516	\$ 53,396
Additions:								
Contributions	1,770	1,770	7,542	7,942	7,384	7,320	7,320	7,320
Sub-total	\$ 1,770	\$ 1,770	\$ 7,542	\$ 7,942	\$ 7,384	\$ 7,320	\$ 7,320	\$ 7,320
Withdrawals	6	6	1,543	2,051	942	1,220	2,440	3,660
Sub-total	\$ 6	\$ 6	\$ 1,543	\$ 2,051	\$ 942	\$ 1,220	\$ 2,440	\$ 3,660
Ending Balance	\$ 38,181	\$ 38,181	\$ 42,416	N/A	\$ 36,417	\$ 48,516	\$ 53,396	\$ 57,056

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 5,343	\$ 10,023	\$ 16,639	\$ 23,430	\$ 29,975	\$ 5,343	\$ 16,639	\$ 17,082	\$ 29,975
Additions:									
Contributions	5,650	7,395	7,586	7,700	7,384	5,650	7,395	7,143	7,700
Sub-total	\$ 5,650	\$ 7,395	\$ 7,586	\$ 7,700	\$ 7,384	-	-	-	-
Deductions:									
Withdrawals	970	779	795	1,155	942	779	942	928	1,155
Sub-total	\$ 970	\$ 779	\$ 795	\$ 1,155	\$ 942	-	-	-	-
Ending balance	\$ 10,023	\$ 16,639	\$ 23,430	\$ 29,975	\$ 36,417	\$ 10,023	\$ 23,430	\$ 23,297	\$ 36,417

Observations:

- Rate Stabilization Fund for Environmental began in June 2010.

## Electric System Rate Stabilization - Debt Management

**For the Fiscal Quarter Ending December 31, 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 12/31/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
Opening Balance	\$ 29,884	\$ 29,884	\$ 29,884	N/A	\$ 42,126	\$ 29,884	\$ 29,884	\$ 29,884
Additions:								
Contributions				N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals					12,242			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ 12,242	\$ -	\$ -	\$ -
Ending Balance	\$ 29,884	\$ 29,884	\$ 29,884	N/A	\$ 29,884	\$ 29,884	\$ 29,884	\$ 29,884

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 41,611	\$ 42,126	\$ 42,126	\$ 42,126	\$ 42,126	\$ 41,611	\$ 42,126	\$ 42,023	\$ 42,126
Additions:									
Contributions	6,581					6,581	6,581	6,581	6,581
Sub-total	\$ 6,581	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Withdrawals	6,066				12,242	6,066	9,154	9,154	12,242
Sub-total	\$ 6,066	\$ -	\$ -	\$ -	\$ 12,242	-	-	-	-
Ending balance	\$ 42,126	\$ 42,126	\$ 42,126	\$ 42,126	\$ 29,884	\$ 29,884	\$ 42,126	\$ 39,678	\$ 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 December 31, 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 12/31/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
Opening Balance	\$ 25,189	\$ 25,189	\$ 25,189	N/A	\$ 34,400	\$ 53,539	\$ 56,842	\$ 36,842
Additions:								
Contributions			40,000	-	-	17,630		
Sub-total	\$ -	\$ -	\$ 40,000	\$ -	\$ -	\$ 17,630	\$ -	\$ -
Withdrawals	2,842	2,842	11,650	11,745	3,600	14,327	20,000	24,194
Sub-total	\$ 2,842	\$ 2,842	\$ 11,650	\$ 11,745	\$ 3,600	\$ 14,327	\$ 20,000	\$ 24,194
Ending Balance	\$ 22,347	\$ 22,347	\$ 53,539	N/A	\$ 30,800	\$ 56,842	\$ 36,842	\$ 12,648

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ -	\$ -	\$ 12,000	\$ 38,000	\$ 34,400	\$ -	\$ 12,000	\$ 16,880	\$ 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	9,211	3,600	6,406	6,406	9,211
Sub-total	\$ -	\$ -	\$ -	\$ 3,600	\$ 9,211	-	-	-	-
Ending balance	\$ -	\$ 12,000	\$ 38,000	\$ 34,400	\$ 25,189	\$ -	\$ 25,189	\$ 21,918	\$ 38,000

Observations:

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

## Electric System Environmental Reserve

**For the Fiscal Quarter Ending December 31, 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 12/31/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
Opening Balance	\$ 17,672	\$ 17,672	\$ 17,672	N/A	\$ 18,556	\$ 17,647	\$ 17,647	\$ 17,647
Additions:								
Contributions			-	N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals	25	25	25	N/A	884			
Sub-total	\$ 25	\$ 25	\$ 25	\$ -	\$ 884	\$ -	\$ -	\$ -
Ending Balance	\$ 17,647	\$ 17,647	\$ 17,647	N/A	\$ 17,672	\$ 17,647	\$ 17,647	\$ 17,647

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 18,359	\$ 18,662	\$ 18,662	\$ 18,662	\$ 18,556	\$ 18,359	\$ 18,662	\$ 18,580	\$ 18,662
Additions:									
Contributions	970					970	970	970	970
Sub-total	\$ 970	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Withdrawals	667			106	884	106	667	552	884
Sub-total	\$ 667	\$ -	\$ -	\$ 106	\$ 884	-	-	-	-
Ending balance	\$ 18,662	\$ 18,662	\$ 18,662	\$ 18,556	\$ 17,672	\$ 17,672	\$ 18,662	\$ 18,443	\$ 18,662

Observations:

- The Environmental Reserve began in FY 2008.

## Electric System Customer Deposits

**For the Fiscal Quarter Ending December 31, 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 12/31/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
Opening Balance	\$ 42,105	\$ 42,105	\$ 42,105	N/A	\$ 41,084	\$ 42,603	\$ 42,603	\$ 42,603
Additions:								
Net Customer Activity	498	498	498	N/A	1,021			
Loan Repayment to ES Revenue Fund					-			
Sub-total	\$ 498	\$ 498	\$ 498	\$ -	\$ 1,021	\$ -	\$ -	\$ -
Net Customer Activity					-			
Loan to ES Revenue Fund				N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ 42,603	\$ 42,603	\$ 42,603	N/A	\$ 42,105	\$ 42,603	\$ 42,603	\$ 42,603

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 43,454	\$ 44,882	\$ 42,688	\$ 42,389	\$ 41,084	\$ 41,084	\$ 42,688	\$ 42,899	\$ 44,882
Additions:									
Net Customer Activity	1,430				1,021	1,021	1,226	1,226	1,430
Loan Repayment to ES Revenue Fund						-	-	-	-
Sub-total	\$ 1,430	\$ -	\$ -	\$ -	\$ 1,021				
Deductions:									
Net Customer Activity	2	2,194	299	1,305		2	802	950	2,194
Loan to ES Revenue Fund						-	-	-	-
Sub-total	\$ 2	\$ 2,194	\$ 299	\$ 1,305	\$ -				
Ending balance	\$ 44,882	\$ 42,688	\$ 42,389	\$ 41,084	\$ 42,105	\$ 41,084	\$ 42,389	\$ 42,630	\$ 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 December 31, 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 12/31/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 167,087	\$ 167,087	\$ 167,087	N/A	\$ 136,232	\$ 160,347	\$ 151,213	\$ 93,455
Additions:								
Revenue Fund Deposits	49,966	49,966	208,066		209,450	198,989	141,056	136,439
Bond funded interest					-			
Sub-total	\$ 49,966	\$ 49,966	\$ 208,066	\$ -	\$ 209,450	\$ 198,989	\$ 141,056	\$ 136,439
Principal and Int Payments	172,279	172,279	214,806	N/A	178,595	208,123	198,814	139,464
Sub-total	\$ 172,279	\$ 172,279	\$ 214,806	\$ -	\$ 178,595	\$ 208,123	\$ 198,814	\$ 139,464
Ending Balance	\$ 44,774	\$ 44,774	\$ 160,347	N/A	\$ 167,087	\$ 151,213	\$ 93,455	\$ 90,430

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 107,754	\$ 101,305	\$ 120,458	\$ 134,927	\$ 136,232	\$ 101,305	\$ 120,458	\$ 120,135	\$ 136,232
Additions:									
Revenue Fund Deposits	159,072	167,340	181,006	177,847	209,450	159,072	177,847	178,943	209,450
Bond funded interest						-	-	-	-
Sub-total	\$ 159,072	\$ 167,340	\$ 181,006	\$ 177,847	\$ 209,450				
Deductions:									
Principal and Int Payments	165,521	148,187	166,537	176,542	178,595	148,187	166,537	167,076	178,595
Sub-total	\$ 165,521	\$ 148,187	\$ 166,537	\$ 176,542	\$ 178,595				
Ending balance	\$ 101,305	\$ 120,458	\$ 134,927	\$ 136,232	\$ 167,087	\$ 101,305	\$ 134,927	\$ 132,002	\$ 167,087

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 December 31, 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 12/31/2017		Full Year Budget Amounts			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 60,582	\$ 60,582	\$ 60,582	N/A	\$ 60,582	\$ 60,582	\$ 60,582	\$ 60,582
Additions:								
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Release to Revenue Fund				N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ 60,582	\$ 60,582	\$ 60,582	N/A	\$ 60,582	\$ 60,582	\$ 60,582	\$ 60,582

	Historical Actuals					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 72,226	\$ 64,841	\$ 64,841	\$ 64,595	\$ 60,582	\$ 60,582	\$ 64,841	\$ 65,417	\$ 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	\$ 64,841	\$ 64,841	\$ 64,595	\$ 60,582	\$ 60,582	60,582	64,595	63,088	64,841

**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 December 31, 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 12/31/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 201,368	\$ 201,368	\$ 201,368	N/A	\$ 192,179	\$ 195,467	\$ 135,364	\$ 214,673
Additions:								
R&R/OCO Contribution	44,401	44,401	153,818		196,589	201,157	290,802	200,465
Loans betw Capital Fds				-	-			
Other		-	38,181	-	5,074	12,340		
Sub-total	\$ 44,401	\$ 44,401	\$ 191,999	\$ -	\$ 201,663	\$ 213,497	\$ 290,802	\$ 200,465
Deductions:								
Capital Expenditures	61,321	61,321	197,900		113,987	273,600	211,493	125,634
Transfers betw Capital Fds				-	37,200			
R&R/OCO Contribution								
Debt Defeasance				-	41,287			
Other	5,918	5,918						
Sub-total	\$ 67,239	\$ 67,239	\$ 197,900	\$ -	\$ 192,474	\$ 273,600	\$ 211,493	\$ 125,634
Ending Balance	\$ 178,530	\$ 178,530	\$ 195,467	N/A	\$ 201,368	\$ 135,364	\$ 214,673	\$ 289,504

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 105,235	\$ 140,486	\$ 146,910	\$ 145,711	\$ 192,179	\$ 105,235	\$ 145,711	\$ 146,104	\$ 192,179
Additions:									
R&R/OCO Contribution	124,630	85,639	110,351	200,692	196,589	85,639	124,630	143,580	200,692
Loans betw Capital Fds	-	-				-	-	-	-
Other	2,423	4,014	970	3,744	5,074	970	3,744	3,245	5,074
Sub-total	\$ 127,053	\$ 89,653	\$ 111,321	\$ 204,436	\$ 201,663				
Deductions:									
Capital Expenditures	91,802	82,889	112,483	157,201	113,987	82,889	112,483	111,672	157,201
Bond Buy Back				2		2	2	2	2
Transfer to Scherer									
Loans betw Capital Fds		340	37	765	37,200				
Other		-		-	41,287			13,762	41,287
Sub-total	\$ 91,802	\$ 83,229	\$ 112,520	\$ 157,968	\$ 192,474				
Ending balance	\$ 140,486	\$ 146,910	\$ 145,711	\$ 192,179	\$ 201,368	\$ 140,486	\$ 146,910	\$ 165,331	\$ 201,368

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 December 31, 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 12/31/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ -	\$ -	\$ -	N/A	\$ -	\$ -	\$ -	\$ -
<b>Additions:</b>								
Bond Proceeds	805	805	805	-	429			
Line of Credit				-	-			
Transfers b/w Capital Fds	-			-	-			
Other				-	-			
Sub-total	\$ 805	\$ 805	\$ 805	\$ -	\$ 429	\$ -	\$ -	\$ -
<b>Deductions:</b>								
Capital Expenditures					-	-	-	-
Bond Funded Interest					-	-	-	-
Transfers b/w Capital Fds					-	-	-	-
Other	2	2	805	-	429			
Sub-total	\$ 2	\$ 2	\$ 805	\$ -	\$ 429	\$ -	\$ -	\$ -
Ending Balance	\$ 803	\$ 803	\$ -	N/A	\$ -	\$ -	\$ -	\$ -

(In Thousands)	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 40,034	\$ 5,184	\$ 42	\$ 4	\$ -	\$ -	\$ 423	\$ 7,678	\$ 40,034
<b>Additions:</b>									
Bond Proceeds	1,550				429	429	990	990	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	\$ 429				
<b>Deductions:</b>									
Capital Expenditures	35,253	4,821	75	6		6	2,448	10,039	35,253
Bond Funded Interest						-	-	-	-
Line of Credit									
Transfers b/w Capital Fds	35	3,091				35	1,563	1,563	3,091
Other	1,146	661			429	429	661	745	1,146
Sub-total	\$ 36,434	\$ 8,573	\$ 75	\$ 6	\$ 429				
Ending balance	\$ 5,184	\$ 42	\$ 4	\$ -	\$ -	\$ -	\$ 4	\$ 1,046	\$ 5,184

**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 Rate Stabilization Debt Management

**For the Fiscal Quarter Ending December 31, 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 12/31/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
Opening Balance	\$ 14,209	\$ 14,209	\$ 14,209	N/A	\$ 20,290	\$ 14,209	\$ 14,209	\$ 14,209
Additions:								
Contributions	-	-	-	N/A	-	-	-	-
Financial Statement Rounding								
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deductions:								
Withdrawals								
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ 14,209	\$ 14,209	\$ 14,209	N/A	\$ 20,290	\$ 14,209	\$ 14,209	\$ 14,209

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 20,290	\$ 20,290	\$ 20,290	\$ 20,290	\$ 20,290	\$ 20,290	\$ 20,290	\$ 20,290	\$ 20,290
Additions:									
Contributions	-	-	-	-	-	-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Withdrawals					6,081	6,081	6,081	6,081	6,081
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ 6,081	-	-	-	-
Ending balance	\$ 20,290	\$ 20,290	\$ 20,290	\$ 20,290	\$ 14,209	\$ 14,209	\$ 20,290	\$ 19,074	\$ 20,290

Observations:

- Contributions began in June 2009.

## Water & Sewer System Rate Stabilization - Environmental

**For the Fiscal Quarter Ending December 31, 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 12/31/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 5,214	\$ 5,214	\$ 5,214	N/A	\$ 1,699	\$ 9,748	\$ 9,748	\$ 9,748
Additions:								
Contributions	5,877	5,877	26,345		24,362			
Regulatory Receivable								
Sub-total	\$ 5,877	\$ 5,877	\$ 26,345	\$ -	\$ 24,362	\$ -	\$ -	\$ -
Deductions:								
Withdrawals	2,573	2,573	21,811		20,847			
Regulatory Receivable								
Sub-total	\$ 2,573	\$ 2,573	\$ 21,811	\$ -	\$ 20,847	\$ -	\$ -	\$ -
Ending Balance	\$ 8,518	\$ 8,518	\$ 9,748	N/A	\$ 5,214	\$ 9,748	\$ 9,748	\$ 9,748

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ -	\$ -	\$ -	\$ -	\$ 1,699	\$ -	\$ -	\$ 340	\$ 1,699
Additions:									
Contributions				23,635	24,362	23,635	23,999	23,999	24,362
Regulatory Receivable						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ 23,635	\$ 24,362				
Deductions:									
Withdrawals				21,936	20,847	20,847	21,392	21,392	21,936
Regulatory Receivable						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ 21,936	\$ 20,847				
Ending balance	\$ -	\$ -	\$ -	\$ 1,699	\$ 5,214	\$ -	\$ -	\$ 1,383	\$ 5,214

**Observations:**

- Rate Stabilization Fund for Environmental began in June 2010.

## Water and Sewer System Customer Deposits

**For the Fiscal Quarter Ending December 31, 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.

<i>(In Thousands)</i>	Actual as of 12/31/2017		Full Year			Projection		
	Current	Year -to-Date	2018	2018	Prior Year	2019	2020	2021
	Quarter	Year -to-Date	Forecast	Budget	Actual	2019	2020	2021
Opening Balance	\$ 15,086	\$ 15,086	\$ 15,086	N/A	\$ 13,910	\$ 15,270	\$ 15,270	\$ 15,270
Additions:								
Allocated from Electric Loan Repayment	184	184	184	N/A	1,176			
Sub-total	\$ 184	\$ 184	\$ 184	-	\$ 1,176	-	-	-
Deductions:								
Allocated from Electric Loan to W&S Operations			-	N/A	-			
Sub-total	\$ -	\$ -	\$ -	-	\$ -	-	-	-
Ending Balance	\$ 15,270	\$ 15,270	\$ 15,270	N/A	\$ 15,086	\$ 15,270	\$ 15,270	\$ 15,270

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 12,627	\$ 13,860	\$ 12,787	\$ 13,255	\$ 13,910	\$ 12,627	\$ 13,255	\$ 13,288	\$ 13,910
Additions:									
Allocated from Electric Loan Repayment	1,233		468	655	1,176	468	655	766	1,176
Sub-total	\$ 1,233	-	\$ 468	\$ 655	\$ 1,176	-	-	-	-
Deductions:									
Allocated from Electric Loan to W&S Operations		1,073				-	-	-	-
Sub-total	\$ -	\$ 1,073	-	-	-	-	-	-	-
Ending balance	\$ 13,860	\$ 12,787	\$ 13,255	\$ 13,910	\$ 15,086	\$ 12,787	\$ 13,860	\$ 13,780	\$ 15,086

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 December 31, 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 12/31/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 82,208	\$ 82,208	\$ 82,208	N/A	\$ 65,410	\$ 81,727	\$ 85,952	\$ 86,527
Additions:								
Revenue fund deposits	28,477	28,477	117,032		114,873	119,748	120,110	120,310
Sub-total	\$ 28,477	\$ 28,477	\$ 117,032	\$ -	\$ 114,873	\$ 119,748	\$ 120,110	\$ 120,310
Deductions:								
Principal and interest payments	87,310	87,310	117,513	N/A	98,075	115,523	119,535	118,867
Sub-total	\$ 87,310	\$ 87,310	\$ 117,513	\$ -	\$ 98,075	\$ 115,523	\$ 119,535	\$ 118,867
Ending Balance	\$ 23,375	\$ 23,375	\$ 81,727	N/A	\$ 82,208	\$ 85,952	\$ 86,527	\$ 87,970

(In Thousands)	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 81,675	\$ 80,317	\$ 75,019	\$ 67,720	\$ 65,410	\$ 803	\$ 71,370	\$ 61,824	\$ 81,675
Additions:									
Revenue fund deposits	119,535	117,444	102,789	97,077	114,873	97,077	114,873	110,344	119,535
Bond funded interest						-	-	-	-
Sub-total	\$ 119,535	\$ 117,444	\$ 102,789	\$ 97,077	\$ 114,873				
Deductions:									
Principal and interest payments	120,893	122,742	110,088	99,387	98,075	98,075	110,088	110,237	122,742
Sub-total	\$ 120,893	\$ 122,742	\$ 110,088	\$ 99,387	\$ 98,075				
Ending balance	\$ 80,317	\$ 75,019	\$ 67,720	\$ 65,410	\$ 82,208	\$ 65,410	\$ 75,019	\$ 74,135	\$ 82,208

**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 December 31, 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 12/31/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 107,488	\$ 107,488	\$ 107,488	N/A	\$ 108,086	\$ 102,850	\$ 102,850	\$ 102,850
Additions:								
Construction reserve fund/bond issues				N/A	-			
Revenue fund				N/A	-			
Rounding								
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deductions:								
Revenue fund	4,638	4,638	4,638		598			
Sub-total	\$ 4,638	\$ 4,638	\$ 4,638	\$ -	\$ 598	\$ -	\$ -	\$ -
Ending Balance	\$ 102,850	\$ 102,850	\$ 102,850	N/A	\$ 107,488	\$ 102,850	\$ 102,850	\$ 102,850

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 119,131	\$ 119,915	\$ 116,829	\$ 108,849	\$ 108,086	\$ 108,086	\$ 116,829	\$ 114,562	\$ 119,915
Additions:									
Construction reserve fund/bond issues	784					784	784	784	784
Revenue fund	3,821					3,821	3,821	3,821	3,821
Sub-total	\$ 4,605	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Revenue fund	3,821	3,086	7,980	763	598	598	3,086	3,250	7,980
Sub-total	\$ 3,821	\$ 3,086	\$ 7,980	\$ 763	\$ 598	-	-	-	-
Ending balance	\$ 119,915	\$ 116,829	\$ 108,849	\$ 108,086	\$ 107,488	\$ 107,488	\$ 108,849	\$ 112,233	\$ 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 December 31, 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 12/31/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 54,699	\$ 54,699	\$ 54,699	N/A	\$ 76,020	\$ 54,440	\$ 23,047	\$ (29,583)
Additions:								
R&R/OCO Contribution	35,756	35,756	153,053	-	108,119	163,689	140,589	140,935
Transfer from Capital Fds				-	137			
Other	204	204	711	-	8,050	2,559	500	500
Sub-total	\$ 35,960	\$ 35,960	\$ 153,764	\$ -	\$ 116,306	\$ 166,248	\$ 141,089	\$ 141,435
Deductions:								
Capital Expenditures	33,527	33,527	154,023	-	132,588	196,991	193,069	179,220
Transfer to Capacity Fund				-	86			
Transfer to Construction Fund				-				
Other				-	4,953	650	650	
Sub-total	\$ 33,527	\$ 33,527	\$ 154,023	\$ -	\$ 137,627	\$ 197,641	\$ 193,719	\$ 179,220
Ending Balance	\$ 57,132	\$ 57,132	\$ 54,440	N/A	\$ 54,699	\$ 23,047	\$ (29,583)	\$ (67,368)

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 64,260	\$ 78,689	\$ 59,295	\$ 37,337	\$ 76,020	\$ 37,337	\$ 64,260	\$ 63,120	\$ 78,689
Additions:									
R&R/OCO Contribution	91,245	48,373	62,793	124,574	108,119	48,373	91,245	87,021	124,574
Loans betw Capital Fds	-		22		137	-	22	53	137
Other (incl septic tank)	1,539	1,614	653	30,889	8,050	653	1,614	8,549	30,889
Sub-total	\$ 92,784	\$ 49,987	\$ 63,468	\$ 155,463	\$ 116,306				
Deductions:									
Capital Expenditures	68,355	67,488	85,426	116,674	132,588	67,488	85,426	94,106	132,588
Loan Repayment	-	-			86	-	-	29	86
Transfer to Constr. Fund	10,000	1,893		106		106	1,893	4,000	10,000
Other (incl septic tank)	-	-	-	-	4,953	-	-	991	4,953
Sub-total	\$ 78,355	\$ 69,381	\$ 85,426	\$ 116,780	\$ 137,627				
Ending balance	\$ 78,689	\$ 59,295	\$ 37,337	\$ 76,020	\$ 54,699	\$ 37,337	\$ 59,295	\$ 61,208	\$ 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 December 31, 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 12/31/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 95,620	\$ 95,620	\$ 95,620	N/A	\$ 103,411	\$ 57,590	\$ 47,812	\$ 24,090
Additions:								
Capacity Fees	6,132	6,132	23,314	-	24,777	21,634	21,959	22,288
State Revolving Fd Loan				-	-			
Transfer from R&R/OCO Fund			31	-	-	650	650	
Other				-	-			
Sub-total	\$ 6,132	\$ 6,132	\$ 23,345	\$ -	\$ 24,777	\$ 22,284	\$ 22,609	\$ 22,288
Deductions:								
Capital Expenditures	13,971	13,971	61,375	-	32,654	32,062	46,331	53,877
Other				-	-			
Sub-total	\$ 13,971	\$ 13,971	\$ 61,375	\$ -	\$ 32,654	\$ 32,062	\$ 46,331	\$ 53,877
Ending Balance	\$ 87,781	\$ 87,781	\$ 57,590	N/A	\$ 95,534	\$ 47,812	\$ 24,090	\$ (7,499)

(In Thousands)	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 45,454	\$ 60,360	\$ 76,887	\$ 90,912	\$ 103,411	\$ 45,454	\$ 76,887	\$ 75,405	\$ 103,411
Additions:									
Capacity Fees	17,394	18,298	19,579	21,995	24,777	17,394	19,579	20,409	24,777
State Revolving Fd Loan	-	-				-	-	-	-
Loan Repayments	-	-	246	145		-	73	98	246
Other	12	-	5	7	86	-	7	22	86
Sub-total	\$ 17,406	\$ 18,298	\$ 19,830	\$ 22,147	\$ 24,863				
Deductions:									
Capital Expenditures	2,270	1,758	5,805	9,648	32,654	1,758	5,805	10,427	32,654
Loans betw Capital Fds						-	-	-	-
Other	230	13				13	122	122	230
Sub-total	\$ 2,500	\$ 1,771	\$ 5,805	\$ 9,648	\$ 32,654				
Ending balance	\$ 60,360	\$ 76,887	\$ 90,912	\$ 103,411	\$ 95,620	\$ 60,360	\$ 90,912	\$ 85,438	\$ 103,411

Observations:

## Water and Sewer Environmental

For the Fiscal Quarter Ending December 31, 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 12/31/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 1,839	\$ 1,839	\$ 1,839	N/A	\$ 2,659	\$ 2,067	\$ 1,000	\$ 1,000
Additions:								
Environmental Contributions	563	563	12,964	-	12,394	16,536	16,046	9,940
Loans betw Capital Fds				-	-			
Other				-	-			
Sub-total	\$ 563	\$ 563	\$ 12,964	\$ -	\$ 12,394	\$ 16,536	\$ 16,046	\$ 9,940
Deductions:								
Capital Expenditures	1,786	1,786	12,736	-	13,214	17,603	16,046	9,940
Septic Tank Phase Out				-	-			
Other	-	-	-	-	-			
Sub-total	\$ 1,786	\$ 1,786	\$ 12,736	\$ -	\$ 13,214	\$ 17,603	\$ 16,046	\$ 9,940
Ending Balance	\$ 616	\$ 616	\$ 2,067	N/A	\$ 1,839	\$ 1,000	\$ 1,000	\$ 1,000

(In Thousands)	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ (8,158)	\$ (9,857)	\$ 5,299	\$ -	\$ 2,659	\$ (9,857)	\$ -	\$ (2,011)	\$ 5,299
Additions:									
Environmental Contributions	21,193	21,018	22,056	15,539	12,394	12,394	21,018	18,440	22,056
Loans betw Capital Fds	-	-				-	-	-	-
Other						-	-	-	-
Sub-total	\$ 21,193	\$ 21,018	\$ 22,056	\$ 15,539	\$ 12,394				
Deductions:									
Capital Expenditures	22,892	5,862	7,318	12,880	13,214	5,862	12,880	12,433	22,892
Septic Tank Phase Out			203			203	203	203	203
Other			19,834			19,834	19,834	19,834	19,834
Sub-total	\$ 22,892	\$ 5,862	\$ 27,355	\$ 12,880	\$ 13,214				
Ending balance	\$ (9,857)	\$ 5,299	\$ -	\$ 2,659	\$ 1,839	\$ (9,857)	\$ 1,839	\$ (12)	\$ 5,299

Observations:

## Water and Sewer Construction / Bond Fund

For the Fiscal Quarter Ending December 31, 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 12/31/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 15	\$ 15	\$ 15	N/A	\$ 152	\$ -	\$ -	\$ -
Additions:								
Bond Proceeds	894	894	894	-	-			
Line of Credit			-	-	-			
Transfer from R&R/OCO Fund				-	-			
Other				-	-			
Sub-total	\$ 894	\$ 894	\$ 894	\$ -	\$ -	\$ -	\$ -	\$ -
Deductions:								
Capital Expenditures				-	-			
Bond Proceeds				-	-			
Other	2	2	909	-	137			
Sub-total	\$ 2	\$ 2	\$ 909	\$ -	\$ 137	\$ -	\$ -	\$ -
Ending Balance	\$ 907	\$ 907	\$ -	N/A	\$ 15	\$ -	\$ -	\$ -

(In Thousands)	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 7,419	\$ 2,305	\$ 326	\$ 664	\$ 152	\$ 152	\$ 664	\$ 2,173	\$ 7,419
Additions:									
Bond Proceeds	486	-				-	243	243	486
Line of Credit	-	-				-	-	-	-
Loans/trnsf btw CapFds	10,000	1,893				1,893	5,947	5,947	10,000
Other	3	476	344	17		3	181	210	476
Sub-total	\$ 10,489	\$ 2,369	\$ 344	\$ 17	\$ -				
Deductions:									
Capital Expenditures	14,855	3,784	6			6	3,784	6,215	14,855
Bond Proceeds	411	48				48	230	230	411
Line of Credit	-	-				-	-	-	-
Loans/trnsf btw CapFds	337	516				337	427	427	516
Other	-	-		529	137	-	69	167	529
Sub-total	\$ 15,603	\$ 4,348	\$ 6	\$ 529	\$ 137				
Ending balance	\$ 2,305	\$ 326	\$ 664	\$ 152	\$ 15	\$ 15	\$ 326	\$ 692	\$ 2,305

**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. F. 2.

Recap of Recent JEA Water and Sewer System and Electric System  
Fixed Rate Debt Refunding Delegated Transactions



Building Community

**AGENDA ITEM SUMMARY**

February 27, 2018

**SUBJECT:** RECAP OF RECENT JEA WATER AND SEWER SYSTEM AND ELECTRIC SYSTEM FIXED RATE DEBT REFUNDING DELEGATED TRANSACTIONS

**Purpose:**  Information Only  Action Required  Advice/Direction

**Issue:** On December 13, 2016, the Board adopted Resolutions No. 2016-21, 2016-22, 2016-23 and 2016-24, establishing delegated parameters for Electric System and Water and Sewer System refunding transactions to be completed by December 31, 2018. The Board adopted additional resolutions to modify those parameters in November and December 2017 (collectively, the “Delegation Resolutions”). Staff is reporting results of bond refundings authorized under the Delegation Resolutions.

**Significance:** The Delegation Resolutions provide the Managing Director/CEO the authorization to price and execute fixed rate refunding transactions within the stated parameters.

**Effect:** Pursuant to the Delegation Resolutions, JEA staff priced approximately \$437.2 million in Water and Sewer System bonds on December 12, 2017 and approximately \$383.8 million in Electric System Bonds on December 13, 2017. The Managing Director/CEO executed the bond purchase agreements for these transactions on December 13, 2017 and December 14, 2017, respectively.

**Cost or Benefit:** The Water and Sewer System refunding produced \$38.9 million present value savings and generates approximately \$2.3 million average annual debt service savings, and the Electric System refunding produced \$29.7 million present value savings and generates approximately \$1.6 million average annual debt service savings.

**Recommended Board action:** No Board action is required. For information only.

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

Submitted by: PEM/MHD/JEO/RLH

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

**Commitments to Action**

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



**INTER-OFFICE MEMORANDUM**

February 27, 2018

**SUBJECT: RECAP OF RECENT JEA WATER AND SEWER SYSTEM AND ELECTRIC SYSTEM FIXED RATE DEBT REFUNDING DELEGATED TRANSACTIONS**

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**FROM:** Paul E. McElroy, Managing Director/CEO

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**TO:** JEA Finance and Audit Committee  
Kelly Flanagan, Chair  
Husein Cumber

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**BACKGROUND:**

On December 13, 2016, the Board adopted Resolutions No. 2016-17, 2016-18, 2016-19 and 2016-20, (the “December 2016 Resolutions”), which provided the Managing Director/CEO the authorization to price and execute Electric System and Water and Sewer System fixed rate refunding bond transactions within stated parameters. The resolutions, in addition to providing parameters, also (i) approved the form of and authorized the execution of various legal documents that were prepared by counsel in connection with the issuance of the authorized bonds; and (ii) provided that the bonds must be sold no later than December 31, 2018.

On November 28, 2017 the Board adopted Resolutions No. 2017-38, 2017-39, 2017-40 and 2017-41, and on December 12, 2017 adopted Resolutions No. 2017-42, 2017-43, 2017-44 and 2017-45, which modified certain parameters in the December 2016 Resolutions (collectively, together with the December 2016 Resolutions, the “Delegation Resolutions”).

**DISCUSSION:**

Pursuant to the Delegation Resolutions, JEA staff priced approximately \$437.2 million in Water and Sewer System fixed rate bonds on December 12, 2017 and approximately \$383.8 million in Electric System fixed rate bonds on December 13, 2017. Water and Sewer System bond refunding proceeds were utilized to redeem approximately \$394.3 million of senior and \$66.0 million of subordinated fixed rate bonds. Electric System bond refunding proceeds were utilized to redeem approximately \$210.0 million of senior and \$195.1 million of subordinated fixed rate bonds. The Managing Director/CEO executed the bond purchase agreement for the Water and Sewer System Revenue Bonds 2017 Series A and Subordinated 2017 Series A on December 13, 2017 and the bond purchase agreement for the Electric System Revenue Bonds, Series Three 2017B and Subordinated 2017 Series B on December 14, 2017.

The attached presentation shows the actual results as compared to the delegated parameters for each of the Water and Sewer System Revenue Bonds, 2017 Series A and Subordinated 2017 Series A and Electric System Revenue Bonds, Series Three 2017B and Subordinated 2017 Series B. The presentation also summarizes recent liquidity agreement renegotiations.

Well Fargo Securities and Citigroup served as senior managers on the Water and Sewer System transaction and Goldman Sachs & Co. served as senior manager on the Electric System transaction.

Nixon Peabody LLP served as JEA's bond counsel and Public Financial Management served as JEA's financial advisor for both refunding transactions.

**RECOMMENDATION:**

No Board action is required. For information only.

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Paul E. McElroy, Managing Director/CEO

PEM/MHD/JEO/RLH

II. F. 2. Return to  
3/12/2018 Agenda



**FY17 and FY18 BOND REFUNDING ACTIVITY AND RESULTS**  
*JEA Finance and Audit Committee Meeting*

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March 12, 2018

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## FINANCING TEAM

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### JEA

Joe Orfano, Treasurer

Ryan Wannemacher, Director, Financial Planning & Analysis

Chris Cicero, Bond Compliance Specialist

Lori Boynton, Bond Compliance Specialist

Robert Hahn, Bond Administration Specialist

Juli Crawford, Manager, Financial Planning & Rates

Victor Blackshear, Financial Analysis Specialist,  
Financial Planning & Rates

Eric Davis, Financial Analyst Senior, Financial  
Planning & Rates

Scott Schlossman, Financial Analyst Senior,  
Financial Planning & Rates

Tucker Mills, Financial Associate

### Senior Underwriters:

#### Water and Sewer System 2017 Series A and Subordinated 2017 Series A

- Wells Fargo Securities
- Citigroup

#### Electric System Series Three 2017B and Subordinated 2017 Series B

- Goldman Sachs & Co.

### Bond Counsel:

Nixon Peabody, LLP

### Financial Adviser:

Public Financial Management, Inc.

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## SUMMARY OF REFUNDING RESULTS

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### Water and Sewer System 2017 Series A and Sub 2017 Series A (12/21/17)

- Total bond par amount: \$437.2 million
- Gross savings: \$53.9 million
- Present value savings: \$38.9 million

### Electric System Series Three 2017B and Sub 2017 Series B (12/21/17)

- Total bond par amount: \$383.8 million
- Gross savings: \$34.8 million
- Present value savings: \$29.7 million

## WATER AND SEWER SYSTEM RESOLUTION PARAMETERS

	Delegated Parameters	2017A Senior	2017A Subordinated
<b>Maximum Par Amount (aggregate/fixed-to-fixed)</b>	< \$803.0M/\$665.0M (Sen) & \$265.0m/\$155.0M (Sub)	\$378.2M	\$58.9M
<b>Weighted Average Life</b>	< Current life + 1 year: 14.304 (Sen) & 10.664 (Sub)	13.2 years	9.7 years
<b>Current Refunding NPV Savings</b>	Positive NPV Savings, 2018 >= 3.00%, 2019-2020 >= 4.00%, 2021-2026 >= 5.00%, 2027+ OR >= 5.00%, Overall	7.64% Overall	6.45% Overall
<b>Advance Refunding Savings</b>	Positive NPV Savings for each maturity of refunded bonds	8.63% Overall	8.63% Overall

## ELECTRIC SYSTEM RESOLUTION PARAMETERS

	Delegated Parameters	2017B Senior	2017B Subordinated
<b>Maximum Par Amount (aggregate/fixed-to-fixed)</b>	< \$871.0M/\$405.0M (Sen) & \$633.0M/\$500.0M (Sub)	\$198.1M	\$185.7M
<b>Weighted Average Life</b>	< Current life + 1 year: 15.004 (Sen) & 12.712 (Sub)	14.5 years	12.4 years
<b>Current Refunding NPV Savings</b>	Positive NPV Savings, 2018 >= 3.00%, 2019-2020 >= 4.00%, 2021-2026 >= 5.00%, 2027+ OR >= 5.00%, Overall	5.18% Overall	5.40% Overall
<b>Advance Refunding Savings</b>	Positive NPV Savings for each maturity of refunded bonds	7.21% Overall	7.61% Overall

# LIQUIDITY AGREEMENT RENEGOTIATIONS

System	Commitment Amount	Prior Commitment Fee	Prior Expiration Date	New Commitment Fee	New Expiration Date	Annual Savings
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## JP Morgan (5/8/17 effective date)

Electric	\$89,087,067	0.39%	5/10/17	0.40%	5/8/20	(\$8,909)
Water & Sewer	86,299,460	0.39%	5/10/17	0.40%	5/8/20	(8,630)
Water & Sewer	<u>25,902,992</u>	0.39%	5/10/17	0.40%	5/8/20	<u>(2,590)</u>
	<b>\$201,289,519</b>					<b>(\$20,129)</b>

## US Bank (10/2/17 effective date)

Electric	\$30,965,000	0.33%	11/15/17	0.38%	10/2/20	(\$15,483)
Electric	24,800,000	0.33%	11/15/17	0.38%	10/2/20	(12,400)
Electric	<u>39,921,974</u>	0.33%	11/15/17	0.38%	10/2/20	<u>(19,961)</u>
	<b>\$95,686,974</b>					<b>(\$47,844)</b>

## State Street Bank (2/21/18 effective date)

Water & Sewer	<b>\$31,250,543</b>	0.42%	3/19/18	0.42%	3/19/21	<b>(\$0)</b>
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Grand Total = **\$328,227,036**

Grand Total = **(\$67,973)**

## II. G.

### JEA Energy Market Risk Management Policy Report



Building Community

**AGENDA ITEM SUMMARY**

February 23, 2018

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

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

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

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

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

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

Submitted by: PEM/ MJB/ SGM

<b>MISSION</b>  Energizing our community through high-value energy and water solutions.	<b>VISION</b>  JEA is a premier service provider, valued asset and vital partner in advancing our community.	<b>VALUES</b> <ul style="list-style-type: none"><li>• Safety</li><li>• Service</li><li>• Growth<sup>2</sup></li><li>• Accountability</li><li>• Integrity</li></ul>
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**Commitments to Action**

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

**Energy Market Risk Management: Physical and Financial Positions**

Return to  
Agenda

Summary as of 2/6/2018		
Projected FY18 Expense (Budget = \$431M)	\$460M	☹
Projected Fuel Fund Ending Balance FY18	\$75M	☹
EMRM Compliance	Yes	☺
Counterparty Credit Limit Exceptions	No	☺
Any Issues of Concern	No	☺

**Table 1: Physical Counterparties (Contracts One Year or Greater) as of 2/1/2018**

Generating Unit	Fuel Type	Supplier/ Counterparty	Contract Type	Remaining Contract Value	Remaining Contract Term
Scherer 4	Coal	Contura Eagle Butte - 003	Fixed Price	\$ 2,304,218	11 months
Scherer 4	Coal	Peabody Caballo - 009	Fixed Price	\$ 1,773,070	11 months
Scherer 4	Coal	Buckskin - 010	Fixed Price	\$ 789,492	11 months
Scherer 4	Coal	CY19 Contura Eagle Butte - 001	Fixed Price	\$ 2,806,571	12 months
Scherer 4	Coal	CY19 Contura Eagle Butte - 004	Fixed Price	\$ 862,826	12 months
Scherer 4	Coal	CY19 Peabody Caballo – 005	Fixed Price	\$ 2,334,578	12 months
Scherer 4	Coal	CY20 Contura Eagle Butte - 001	Fixed Price	\$ 3,018,716	12 months
NG Fleet	Natural Gas	Shell Energy	Index w/Fixed Price Option	\$ 210,509,353	3.33 years

**Table 2: Financial Positions as of 2/1/2018**

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	33,173,700	12,740,000	38.4%	\$2.84	Swap	\$2.65	(2,477,020)	Wells Fargo
FY19	Natural Gas	50,426,000	5,460,000	10.8%	\$2.84	Swap	\$2.65	(1,698,060)	Wells Fargo
FY20	Natural Gas	58,535,300	-	0.0%	\$2.79	-	-	-	-

**Table 3: Fuel Procurement as of 2/1/2018**

Fuel Type	Coal	Petcoke	Oil/Diesel	Purchased Power	Natural Gas	Renewables
FY18 Remaining						
Expected Spend (\$)	44.2M	39.4M	0.5M	39.7M	105.5M	10.6M
% Procured	94%	21%	100%	53%	76%	100%
% Hedged	94%	21%	100%	7%	37%	100%
FY19						
Expected Spend (\$)	76.7M	53.9M	0.8M	60.3M	144.5M	13.5M
% Procured	60%	9%	100%	59%	43%	100%
% Hedged	60%	9%	100%	7%	10%	100%
FY20						
Expected Spend (\$)	73.6M	56.7M	2.2M	37.8M	167.7M	13.1M
% Procured	44%	9%	100%	23%	38%	100%
% Hedged	44%	9%	100%	3%	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; CY2018-2020 for Scherer
- FY18 Energy Mix: 49% Natural Gas, 34% Solid Fuel, 17% Purchase Power (primarily natural gas) 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