

**JEA
FINANCE & AUDIT COMMITTEE AGENDA**

DATE: December 9, 2019
TIME: 2:00 PM – 4:00 PM
PLACE: 21 W. Church Street
 8th Floor Conference Room

			Responsible Person	Action (A) Info (I)	Total Time
I.	OPENING CONSIDERATIONS		Kelly Flanagan		
	A.	Call to Order			
	B.	Adoption of Agenda		A	
	C.	Approval of Minutes – August 19, 2019	Madricka Jones	A	
II.	NEW BUSINESS				
	A.	Ernst & Young FY2019 External Audit Report	John DiSanto	I	45 mins.
	B.	Audit Services – Quarterly Audit Services Update	Steve Tuten Julie Moore	I	10 mins.
	C.	JEA Identity Theft Protection Program Annual Risk Assessment	Daniel Mishra	I	5 mins.
	D.	Ethics Officer Quarterly Report	Walette Stanford	I	5 mins.
	E.	Treasury	Joe Orfano		20 mins.
	1.	Electric System and Water and Sewer Reserve Fund Quarterly Report		I	
	2.	STAR Plan Early Debt Retirement Phase 2 Update		I	
	3.	Investment Policy Revision		A	
	F.	JEA Energy Market Risk Management Policy Report	Caren Anders	I	5 mins.
	G.	Announcements			
	1.	Next Meeting, March 16, 2020, 8:00am – 10:00am			
	Committee Discussion Sessions				
	H. 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.
	I.	Adjournment			

JEA FINANCE & AUDIT COMMITTEE MINUTES
August 19, 2019

The Finance & Audit Committee of JEA met on Monday, August 19, 2019, in the 8th Floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida.

Agenda Item I – Opening Considerations

- A. Call to Order – Committee Chair Kelly Flanagan called the meeting to order at 8:03 AM. Others in attendance were Aaron Zahn, Melissa Dykes, Ryan Wannemacher, Ted Hobson, Shawn Eads, Lynn Rhode, Joe Orfano, Steve Tuten, Frank DiBenedetto, Lee Montanez, Walette Stanford, Russell Caffey, Victor Blackshear, Laura Gutteridge, Russ Jeans, Ernst & Young, John DiSanto, Ernst & Young, and Tara Patrucci, Ernst & Young..

Due to a lack of quorum physically present, agenda items were received for information only. Action items will be brought before the August 27, 2019 full Board for action.

- B. Adoption of Agenda – Due to a lack of quorum, the agenda was received for information
- C. Approval of Minutes – Due to a lack of quorum, the May 20, 2019 Minutes were received for information.

Agenda Item II – New Business

A. Audit Services

1. Quarterly Audit Services Review – Steve Tuten, Director of Audit Services, reviewed the report. Mr. Tuten stated the Internal Audit group is on track to meet their goal. Mr. Tuten also stated that the Internal Audit team successfully completed the annual risk assessment process for the FY20 Internal Audit plan, and a special engagement audit for the certification of JEA renewable energy credits for 2017 and 2018 was completed. Mr. Tuten reviewed the FY19 audit calendar, summary of completed audits and projects, and open audit and investigation report issues (including details of the major issues). This presentation was received for information.
2. Annual Approval of Internal Audit Charter – Steve Tuten, Director of Audit Services, stated that the document is a summary of Internal Audit’s authority, key roles and responsibilities, and quality assurance program. There were no changes in the text from FY18 to FY19. Staff recommends that the Finance & Audit Committee approve the Internal Audit Charter.

Due to a lack of quorum, this item was received for information and will be presented at the August 27, 2019 Board Meeting for action.

3. Approval of Annual Internal Audit Plan – Lee Montanez, Manager Internal Audits, presented the role of internal audit, risk-based audit plan guidance, risk-based audit plan steps, the risk assessment survey, and a description of scheduled audits. Mr. Montanez also discussed the FY20 Audit Plan calendar, stating that the goal was to schedule in consideration of both management timing issues and Internal Audit team work load. Staff recommends that the Finance & Audit Committee and the Board of Directors approve the Annual Internal Audit Plan for FY20.

Due to a lack of quorum, this item was received for information and will be presented at the August 27, 2019 Board Meeting for action.

4. Enterprise Risk Management (ERM) Update – Frank DiBenedetto, Manager, Enterprise Risk Management provided information on the changes in the risk management process, specifically the scoring methodology. Mr. DiBenedetto highlighted the primary changes that have been made to the scoring methodology, providing examples of financial impact, probability factors, preparedness, and expenditure descriptions, as well as overall financial assessment. This presentation was received for information.
- B. Ethics Officer Quarterly Report – Walette Stanford, Ethics Officer, reviewed the current inquiries and the new metric being tracked (written vs. verbal inquiries). Ms. Stanford also provided a summary of the Ethics Newsletter content and some of the initiatives that she is currently working on. Committee Chair Flanagan requested staff benchmark against other entities within city to find out if there any best practices other local industries are following. This presentation was received for information
- C. Ernst & Young FY2019 Financial Audit Plan – John DiSanto, Managing Director, Ernst & Young, began the presentation with an introduction of Russ Jeans and Tara Patrucci, both Senior Managers at Ernst & Young. Mr. DiSanto highlighted the key points of the presentation which are outlined in the Executive Summary. Mr. Disanto added that there is an asset retirement obligation that is not in the report that they will be looking into as well. Mr. DiSanto pointed out the chart identifying the Client Service Team and reviewed the areas of audit emphasis as well as the involvement of the Council Auditors in the 2019 audit plan. Mr. DiSanto further explained the important dates in 2020, 2021, and 2022 that are in the presentation. This presentation was received for information.
- D. STAR Plan Phase 2 Update
1. Pricing Policy Revision – Mr. Ryan Wannemacher, Chief Financial Officer, provided an overview of the process timeline for the STAR Plan; Phase 2 plan to be implemented in October 2019 which will require Board action. Mr. Wannemacher also explained the changes staff is recommending to the internal policies that are required for Phase 2 of the STAR Plan. The sources and uses of Phase 2, debt payment schedule, and an overview of debt retirement and debt service savings were also presented by Mr. Wannemacher.

Staff recommends that JEA Finance and Audit Committee review and recommend that the JEA Board approve and authorize revisions to the Pricing Policy and Debt Management Policy at the next scheduled Board of Directors meeting.

2. Debt Management Policy Revision – Joe Orfano, Treasurer, stated the change to eliminate the debt management strategy stabilization fund requires a conforming change to eliminate the Debt Management Strategy Rate Stabilization Fund in the Debt Management Policy. There are no significant changes to any of the numerical benchmarks required under the Debt Management Policy; principally just an elimination of the Debt Management Strategy RSF. There are no other significant changes.

Due to a lack of quorum, both the Pricing Policy Revision and Debt Management Policy Revision items were received for information and will be presented at the August 27, 2019 Board Meeting for action.

- E. Electric System and Water and Sewer System Reserve Fund Quarterly Report – Joe Orfano, Treasurer, stated this report is provided for full disclosure of reserve funds. Mr. Orfano provided highlights from the Electric and Water and Sewer Reserve Fund quarterly report. This presentation was received for information.
- F. JEA Energy Market Risk Management Policy Report – Caren Anders, Vice President/General Manager, Energy, reviewed the highlights from the Energy Market Risk Management Policy Report. This presentations was received for information.
- G. Announcements
 - 1. The next Finance and Audit Committee meeting will be held on December 9, 2019 at 8:00 AM.
- H. Committee Discussion Sessions
 - 1. Ernst & Young Engagement – At 9:01 AM, Committee Chair Flanagan dismissed staff and held a discussion with Ted Hobson, Vice-President & Chief Compliance Officer and Shawn Eads, Chief Information Officer.
 - 2. Ernst & Young – At 9:03 AM, Committee Chair Flanagan held a general conversation with Russ Jeans, Ernst & Young, John DiSanto, Ernst & Young and Tara Patrucci, Ernst & Young.
 - 3. Director, Audit Services – At 9:09 AM, Committee Chair Flanagan held a general conversation with Steve Tuten, Director, Audit Services.
 - 4. There was no discussion held with the Council Auditor.

Closing Considerations

With no further business claiming the attention of this Committee, the meeting was declared adjourned at 9:15 AM.

APPROVED BY:

Kelly Flanagan, Committee Chair
Date: _____

Submitted by:

Madricka Jones
Executive Staff Assistant



INTER-OFFICE MEMORANDUM

December 5, 2019

SUBJECT: Ernst & Young FY2019 External Audit Report

FROM: Aaron F. Zahn, Interim Managing Director/CEO

TO: JEA Finance and Audit Committee

BACKGROUND:

Auditing standards require the auditors to communicate certain matters to the Governing Board that may assist the Board in overseeing management's financial reporting process. Ernst & Young, LLP (E&Y) presented their audit plan for fiscal year 2019 at the Finance and Audit Committee (FAC) meeting on August 19, 2019. At that meeting, they outlined the scope of their services, identified the E&Y team that will perform the audit and presented the key considerations that will affect the 2019 audit. Representatives from E&Y have been invited to attend the December 9, 2019 Finance and Audit Committee meeting to discuss FY2019 audited results.

DISCUSSION:

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

RECOMMENDATION:

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

Aaron F. Zahn, Managing Director/CEO

AFZ/RFW/RJC

**City of Jacksonville
General Employees Retirement Plan**

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

September 30, 2018



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

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September 30, 2018**

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INDEPENDENT AUDITORS' REPORT

Jacksonville City Council
Board of Directors, JEA

We have audited the accompanying schedule of employer allocations and net pension liability of the City of Jacksonville Retirement System's General Employees Retirement Plan (the "Plan") as of September 30, 2018, (the "Schedule") and the related notes. We have also audited the columns titled net pension liability at September 30, 2018, total deferred outflows of resources, total deferred inflows of resources, and pension plan expense ("Specified Column Totals") included in the accompanying schedule of collective pension amounts of the Plan as of and for the year ended September 30, 2018, and the related notes.

Management's Responsibility for the Schedules

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule and Specified Column Totals. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Schedule and Specified Column Totals, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule and Specified Column Totals in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies

used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule and Specified Column Totals.

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

Opinions

In our opinion, the Schedule and Specified Column Totals referred to above present fairly, in all material respects, the employer allocations and net pension liability as of September 30, 2018, and the total deferred outflows of resources, total deferred inflows of resources, and pension expense for the Plan as of and for the year ended September 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Restriction on Use

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

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

Gainesville, Florida
October 7, 2019

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

September 30, 2018

Entity	Employer Contributions	Proportion of Net Pension Liability	Net Pension Liability
City of Jacksonville	\$ 33,627,000	47.35%	\$ 526,354,208
JEA	35,929,000	50.59%	562,370,843
Jacksonville Housing Authority	1,353,000	1.90%	21,120,866
North Florida Transportation Planning Organization	115,000	0.16%	1,778,599
Total	\$ 71,024,000	100.00%	\$ 1,111,624,516

See accompanying notes.

**City of Jacksonville General Employees Retirement Plan
Schedule of Collective Pension Amounts**

As of and for the year ended September 30, 2018

Entity	Deferred Outflows of Resources					Deferred Inflows of Resources					
	Net Pension Liability September 30, 2018	Differences Between Expected and Actual Experience	Changes of Assumptions	Changes in Proportion	Total Deferred Outflows of Resources	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Differences Between Expected and Actual Experience	Changes of Assumptions	Changes in Proportion	Total Deferred Inflows of Resources	Pension Plan Expense
City of Jacksonville	\$ 526,354,208	\$ 16,075,724	\$ 60,749,062	\$ 6,904,769	\$ 83,729,555	\$ 29,916,895	\$ 3,036,586	\$ 1,708,810	\$ 12,072,193	\$ 46,734,484	\$ 69,624,772
JEA	562,370,843	17,175,731	64,905,915	11,588,447	93,670,093	31,964,007	3,244,370	1,825,738	7,679,794	44,713,909	80,302,874
Jacksonville Housing Authority	21,120,866	645,066	2,437,660	1,673,205	4,755,931	1,200,466	121,848	68,570	468,850	1,859,734	3,896,228
North Florida Transportation Planning Organization	1,778,599	54,321	205,277	161,735	421,333	101,092	10,261	5,774	107,319	224,446	355,938
Total	\$ 1,111,624,516	\$ 33,950,842	\$ 128,297,914	\$ 20,328,156	\$ 182,576,912	\$ 63,182,460	\$ 6,413,065	\$ 3,608,892	\$ 20,328,156	\$ 93,532,573	\$ 154,179,812

See accompanying notes.

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

NOTE 1 – SUMMARY OF THE PLAN

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

As of September 30, 2018, the General Employees Retirement Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	5,176
Terminated employees vested, not yet receiving benefits	185
Active employment plan members:	
Vested	3,366
Non-vested	<u>868</u>
Total plan membership	9,595

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

- (a) Completing thirty (30) years of credited service, regardless of age;
- (b) Attaining age fifty-five (55) with twenty (20) years of credited service; or
- (c) Attaining age sixty-five (65) with five (5) years of credited service.

There is no mandatory retirement age.

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



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

NOTE 1 – SUMMARY OF THE PLAN (CONTINUED)

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Governmental Accounting Standards Board (GASB) Statement No. 67

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

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

The accompanying schedules are a specific element of the City's financial statements and were prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the accompanying schedules, adhere to the reporting requirements established by the GASB to the extent that they relate to the accompanying schedules.

Basis of Accounting

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

Proportionate Share Allocation Methodology

The basis for each entity's proportion is actuarially determined by comparing the entity's employer contributions for the year ended September 30, 2018. This basis is intended to measure the proportion of each entity's long term funding requirements.



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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in the Preparation of the Schedules

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

Relationship to the Basic Financial Statements

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

Investments

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

NOTE 3 – NET PENSION LIABILITY AND ACTUARIAL ASSUMPTIONS AND METHODS

The components of the net pension liability are as follows:

Total pension liability	\$	3,196,680,516
Plan fiduciary net position		2,085,056,000
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Net pension liability	\$	1,111,624,516
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The total pension liability was determined as of a measurement date of September 30, 2018, using an actuarial valuation date of October 1, 2018, and the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Inflation	2.75%
Salary increases assumption	3.00% - 6.00%, of which 2.75% is the Plan's long-term payroll inflation.
Investment rate of return	7.00%, net of pension plan investment expense, including inflation.
Pre-retirement mortality rates	50% RP2000 Combined Healthy White Collar and 50% RP2000 Combined Healthy Blue Collar, set forward 2.5 years, projected generationally with Scale BB for males; RP2000 Combined Healthy White Collar, set forward 2.5 years, projected generationally with Scale BB for females.
Healthy annuitant mortality rates	50% RP2000 White Collar Annuitant and 50% RP2000 Blue Collar Annuitant, set forward 2.5 years, projected generationally with Scale BB for males; RP2000 White Collar Annuitant, set forward 2.5 years, projected generationally with Scale BB for females.
Disabled annuitant mortality rates	The FRS Non-Special Risk Tables, set forward 2.5 years reasonably reflect the healthy annuitant mortality experience of the General Employees Retirement Plan as of the measurement date. The RP-2000 Disabled Retiree Mortality Table, set back four years for males and set forward two years for females reasonably reflect the disabled annuitant mortality experience as of the measurement date. The mortality improvement assumptions are mandated under state law.

The actuarial assumptions used in the October 1, 2018 valuation were based on the results of an experience study for the period October 1, 2012 to September 30, 2018.

The following changes in key actuarial assumptions occurred in 2018:

- The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.20% to 7.00%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return by the target asset allocation as of September 30, 2018 are summarized in the following table. The long-term expected real rates of return are based on 20-year projections of capital market assumptions provided by Segal Macro Advisors.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30.0%	6.41%
International equity	20.0%	6.96%
Fixed income	20.0%	1.96%
Real estate	15.0%	4.76%
Private equity	7.5%	10.41%
Alternatives	7.5%	3.83%
 Total	 100%	

Discount Rate

The discount rate used to measure the total pension liability is 7.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at their applicable contribution rates and that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

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

Proportional share of the Net Pension Liability	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
City of Jacksonville	\$ 707,857,072	\$ 526,354,208	\$ 375,219,423
JEA	756,293,332	562,370,843	400,894,416
Jacksonville Housing Authority	28,403,980	21,120,866	15,056,323
North Florida Transportation Planning Organization	2,391,914	1,778,599	1,267,901

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

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

Plan Fiduciary Net Position

The Plan's fiduciary net position as a percentage of total pension liability is 65.23%.

NOTE 4 – INVESTMENTS

Fair Value Measurements

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

Investment Type	Total Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate Stock - Common	\$ 542,647,892	\$ 542,647,892	\$ -	\$ -
Registered Investment Companies	17,260,748	17,260,748	-	-
U.S. Government Securities	97,618,705	49,695,217	47,923,488	-
Corporate Debt Instruments	126,888,721	-	126,888,721	-
Common/Collective Trust	479,709,400	-	-	479,709,400
Partnership/Joint Venture Interest	435,831,924	74,904,155	-	360,927,769
Pooled Separate Accounts	85,429,358	-	-	85,429,358
*Other Investments	233,895,254	2,693,929	806,459	230,394,866
	<u>\$ 2,019,282,002</u>	<u>\$ 687,201,941</u>	<u>\$ 175,618,668</u>	<u>\$ 1,156,461,393</u>

* Composed of 103-12 investments, Other Short Term Bonds, Derivatives, and Cash/Dividend/Interest/Misc., Payables/Pending trades as of 9/30/18.

The Plan has the following recurring fair value measurements as of September 30, 2018:

- Corporate Stock (Common) – Values using the primary exchange closing price.
- Registered Investment Co. – Valued at the daily closing value as reported by the fund and as supplied by third party vendors to the Plan's custodian. Short term fixed income investment funds (security maturities that do not exceed one year) may be valued using book value.
- U.S. Government Securities – Short term US government fixed income securities (with maturities that do not exceed one year) are valued using book value. Securities with maturities greater than one year are valued using prevailing market bids and based upon calculations that reflect the expected price to an investor in an orderly transaction.

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

NOTE 4 – INVESTMENTS (CONTINUED)

- Corporate Debt Instruments – Short term corporate debt securities (with maturities that do not exceed one year) are valued using book value. Securities with maturities greater than one year are valued using prevailing market bids or a measurable market close and are based upon calculations that reflect the expected price to an investor in an orderly transaction.
- Common/Collective Trusts – Valued based on an appraisal or calculated and assigned by a general or managing partner of the vehicle in which the security is held.
- Partnership/Joint Venture Interests – Underlying equity investments valued using the primary exchange close price. Underlying non-equity investments valued based on an appraisal or calculated and assigned by a general or managing partner of the vehicle in which the investment is held.
- Pooled Separate Accounts – Valued based on an appraisal or calculated and assigned by a general or managing partner of the vehicle in which the investment is held.

Interest Rate Risk

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

Credit Quality

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

Quality Breakdown	Portfolio (%)
Aaa	30%
Aa1-Aa3	4%
A1-A3	19%
Baa1-Baa3	18%
Ba1-Ba3	2%
Other	2%
Commingled	25%
	100%



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

NOTE 4 – INVESTMENTS (CONTINUED)

Rating definitions:

Treasury – United States Treasury Securities (Included in Aaa)

Agency – Government Agency Securities (Included in Aaa)

Aaa (AAA) – Highest Investment Grade Quality Rating

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

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

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

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

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

Custodial Credit Risk

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

II. A.

Ernst & Young 2019 External Audit Report

A draft of the report from Ernst & Young will be provided electronically, prior to the Finance and Audit Committee Meeting. A hard copy will be provided at the meeting.



INTER-OFFICE MEMORANDUM

November 19, 2019

SUBJECT: AUDIT SERVICES – QUARTERLY AUDIT SERVICES UPDATE

FROM: Aaron F. Zahn, Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair
April Green
Henry Brown

BACKGROUND:

The Quarterly Audit Services Update provides the JEA Board of Directors with information on the current activities of the three groups within Audit Services: (1) Enterprise Risk Management; (2) Internal Audit; and (3) Forensic Audit & Investigations. JEA's Enterprise Risk Management (ERM) Program identifies, assesses, measures, monitors and actively manages risk. The Internal Audit Group reviews internal control processes and ensures that departments maintain compliance with operating procedures and regulations. The Forensic Audit & Investigations Group conducts internal investigations of confidential reports into JEA's Ethics Hotline (EHL) and from other sources.

DISCUSSION:

This update will provide an assessment of how JEA is managing risk and monitoring controls to reduce and/or prevent adverse impact to its business operations.

RECOMMENDATION:

No action required, as this update is for information only.

Aaron F. Zahn, Managing Director/CEO

AFZ/THE/SVT



JEA[®]



Audit Services Quarterly Update

Audit Services Groups

- Enterprise Risk Management (ERM) - pp. 3-6
- Internal Audit – pp. 7-14
- Forensic Audit & Investigations (FAI) – pp. 15-22

December 2019

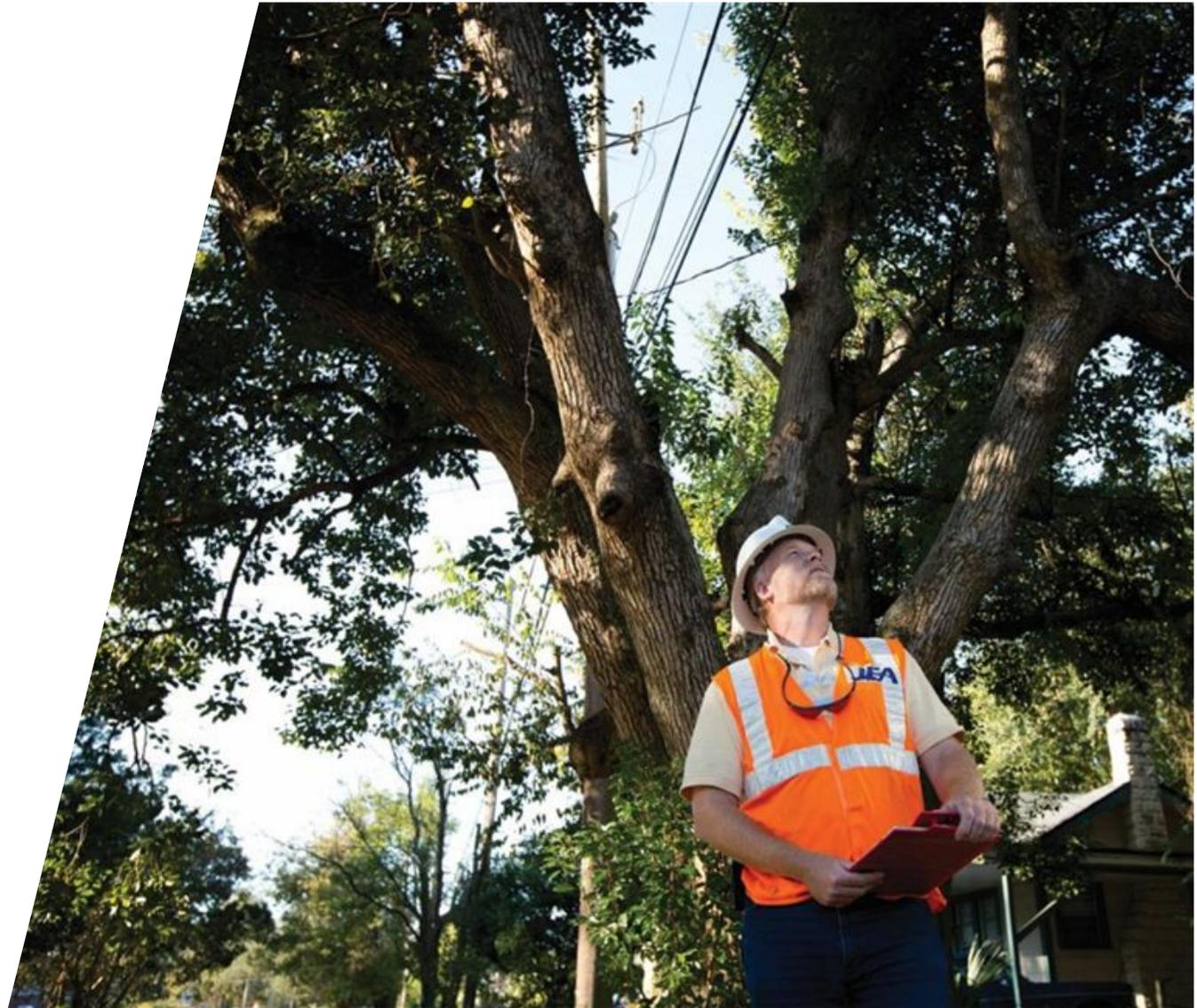


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December 2019



**Enterprise Risk
Management (ERM)**



Key Risks and Process Indicators (KRIs/KPIs)

Corporate Goal Objective:

De-risk the business by reducing the Top Corporate Risk (TCR) financial exposure by at least 10%

Current TCR Financial Exposure = \$597.4 Million
10% Reduction = \$ 59.7 Million
TCR Financial Exposure Goal = \$537.6 Million

December 2019



How Will We Achieve this?

1. Establish a base line for which to measure success. The current financial exposure was frozen as of September 30, 2019.
2. The Risk Owners will review their respective risks and identify mitigations that have/will reduce the financial exposure and/or probability of the risk event.
3. All changes to the risk financial exposure and/or probability will need to be quantified through Key Risk/Process Indicators (KRIs, KPIs) and/or other supporting documentation.
4. All changes will be approved by the Enterprise Compliance & Risk Committee (ECRC).
5. ERM will meet with each VP Risk Owner and/or their team to discuss how to identify, measure, quantify, and document the factors/indicators that will allow us to meet, and hopefully exceed, the 10% reduction in financial exposure.

December 2019



KRI/KPI Criteria

- ✓ The goal of establishing an effective set of KRIs/KPIs is to identify relevant metrics that provides useful insights about potential/actual risks that may impact achieving our organization's objectives.
- ✓ Mapping KRIs/KPIs to critical risks and core strategies reduces the likelihood that the risk event will occur and/or reduces the impact; by quantifying the effectiveness of mitigation strategies.
- ✓ An important element of any KRI/KPI is the quality of the available data used to monitor a specify risk.
- ✓ It is unlikely that a single KRI will adequately capture all facets of the risk trend. It is helpful to analyze a collection of KRIs simultaneously to help form a better understanding of the risk and the effectiveness of mitigation efforts.

December 2019





December 2019



Internal Audit

Internal Audit Highlights



- ✓ Laurie Gaughan and Rashid Brittain, the JEA Auditors for the TEA engagement, have completed the FY20 testing portion of the audit, in collaboration from seven auditors assigned by other TEA member organizations. This is the second year of our three-year in-charge engagement.
- ✓ Initiated planning for the external quality assessment review of our Internal Audit activities, in conformance (*recommended every five years*) with the Institute of Internal Auditors' (IIA) Professional Standards. This review will be conducted in June.
- ✓ Completion of the FY19 Performance Pay review.

December 2019

 Internal Audit

FY19 Audit Calendar

		1Q (Oct – Dec)	2Q (Jan – Mar)	3Q (Apr – Jun)	4Q (Jul – Sept)
Internal Audits	2018 Utility Locate/3 rd Party Claims	✓	2018 Response and Environmental Programs ✓	Corporate Records Compliance ✓	Payroll Services Follow-Up ✓
	2018 Tax Administration	✓	2018 Information Security Follow-Up ✓	Electric Systems Asset Management ✓	
	2018 Electric Production Engineering and Outages	✓	Branch Follow-Up ✓	Contract Administration ✓	
	2018 Technology Infrastructure	✓	Electric Systems Byproduct ✓	Procurement Inventory Control ●	
	2018 Disaster Recovery Follow-Up	✓	Customer Solutions and Market Development ✓		
	2018 W/WW Reuse and Treatment	✓	Talent Acquisition Services ✓		
			Project Management Office ✓		
			District Energy Services ✓		
			Meter Operations Follow-Up ✓		
Special Projects	JEA Performance Pay Audit ✓	TEA Audit ✓	2020 Annual Risk Assessments ✓	MEAG/Vogtle ●	
			Green-e Agreed-Upon Procedures Engagement ✓	(3) Top Corporate Risk COSO ●	

Postponed ●
In Progress ●
Report in Draft ✓
Final Report Issued ✓

FY20 Audit Calendar

		1Q (Oct – Dec)	2Q (Jan – Mar)	3Q (Apr – Jun)	4Q (Jul – Sept)
Internal Audits	JEA Academy		Procurement	POP Process Follow-Up	Meter Operations Follow-Up
	Business Development & Community Project Management		Software Licensing	NGS Generation	Bulk Power and Customer Service Response
	P-Cards		Black Belts	Cloud Computing	Fleet Services
				Risk Management	Air & Lab Permitting and Compliance
				W/WW Planning	
Special Projects	JEA Performance Pay Audit			2021 Annual Risk Assessments	
	TEA Audit			Green-e Agreed-Upon Procedures Engagement	
	Cyber Program Assessment				

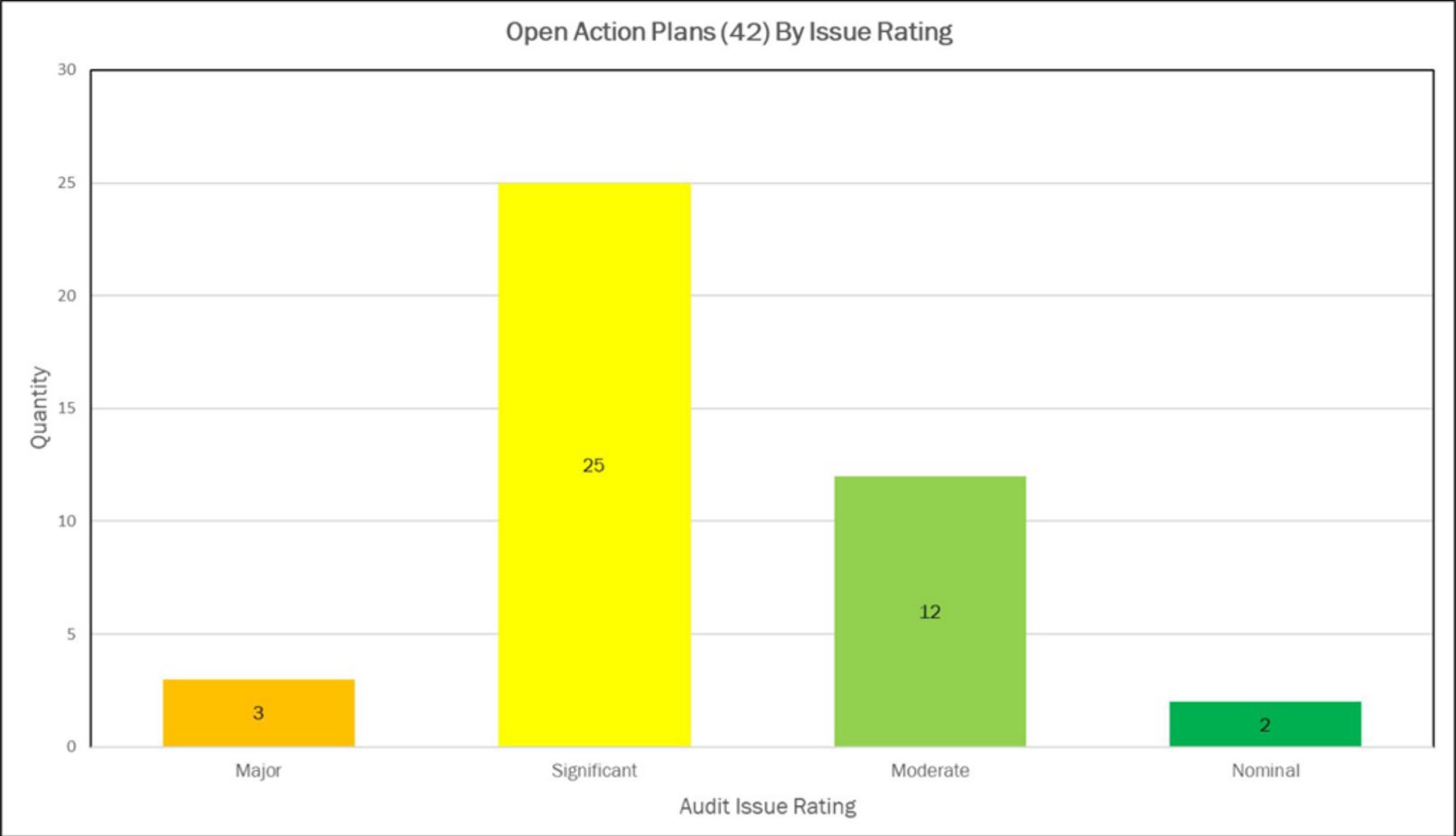
Not Started
In Progress
Report in Draft
Final Report Issued

Summary of Completed Audits & Projects

	Audit Name	Report Rating	# of Issues	Description of Significant or Greater Issue(s)
Internal Audits	Project Management Office	SATISFACTORY	8	<p>Significant opportunities for improvement include the following:</p> <ul style="list-style-type: none"> • Change control related to the impact of scope changes; • Project selection, prioritization and impacts on resource loading; • Post project evaluation and metric tracking; and • Governance of cloud design documents within projects.
	Corporate Records Compliance	SATISFACTORY	7	<p>Significant opportunities for improvement include the following:</p> <ul style="list-style-type: none"> • Segregation of duties for records request fulfillment; • Management approval of Corporate Records procedure; • JEA Verify user access validation; and • Policy Tech implementation delays.
	Payroll Services Follow-Up	SATISFACTORY	5	<p>Significant opportunities for improvement include the following:</p> <ul style="list-style-type: none"> • Payroll reconciliation process; • Payroll user access; • Management review and approval of bi-weekly payroll runs; and • Payroll deduction documentation and peer review.
	Electric Systems Asset Management	NEEDS IMPROVEMENT	8	<p>Major opportunities for improvement include the following:</p> <ul style="list-style-type: none"> • Lack of asset data governance; • Identification and tracking of warranties; and • Lack of asset disposal process identified.
	Meter Operations Follow-Up	NEEDS IMPROVEMENT	6	<p>A Major opportunity for improvement include the following:</p> <ul style="list-style-type: none"> • Sewer flow operations, including setting standards, meter count accuracy, and accounting of revenue for this activity.
Special Project	JEA Performance Pay Audit	No Rating	0	No issues identified.

December 2019

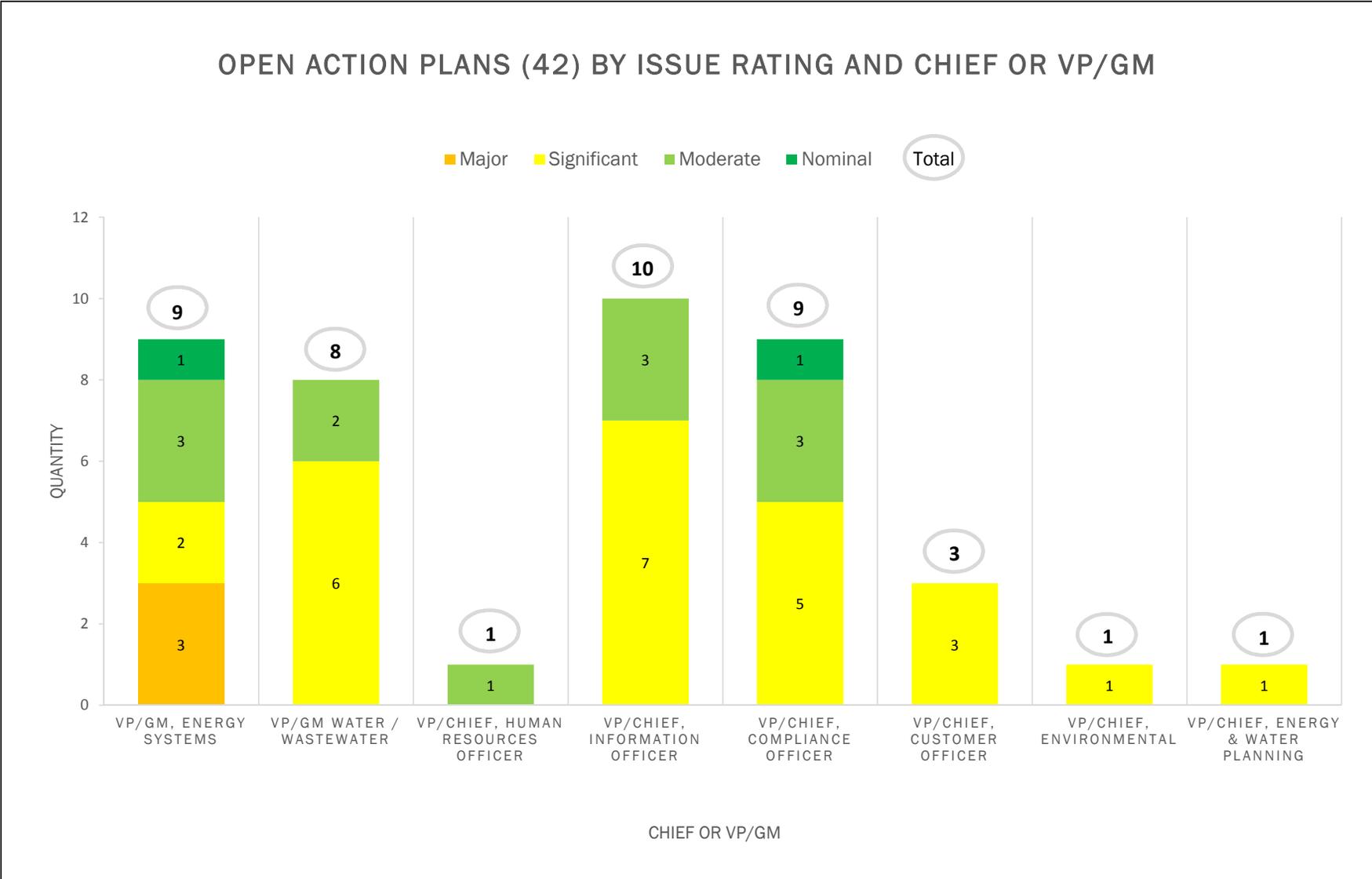
Open Audit Report Issues



December 2019



Open Audit Report Issues



Open Audit Report Issues – Major Rating

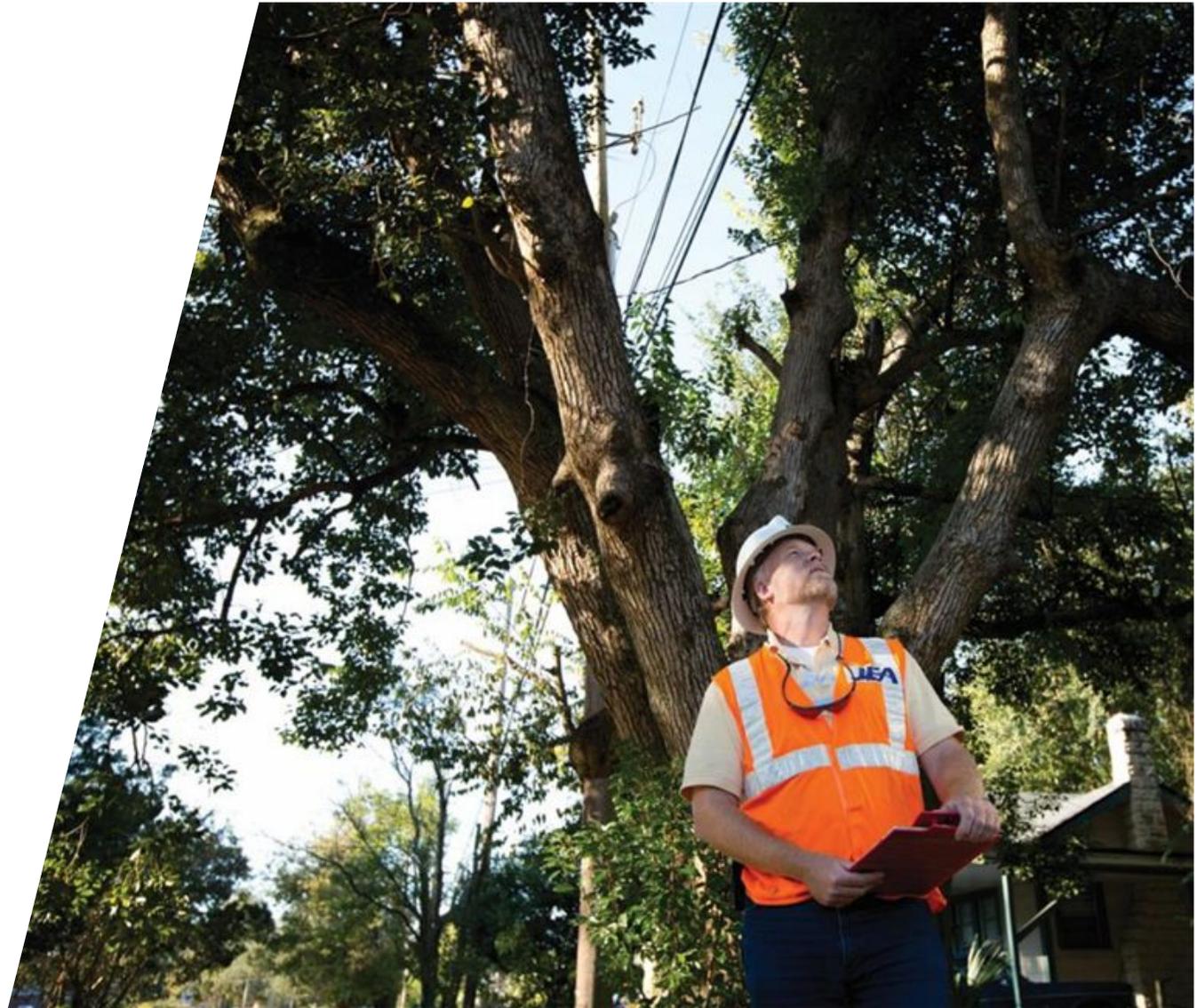
VP/Chief	Director / (Audit Name)	Issue Observation	Action Plan	Current Due Date	Action Plan Status Comments
VP/GM, Energy	Director, Electric Systems Asset Management	Audit noted a lack of asset data governance.	Asset Management will develop Governance program, utilize Asset 360 barcoding project as part of the solution, review asset data completeness, assist in developing automated As-Built and complete the Asset Creation project.	9/30/20	
VP/GM, Energy	Director, Electric Systems Asset Management	Audit noted no process for identifying assets under warranty, including replacement while under warranty.	Asset Creation project currently under development within the scope of the TS EIM project will require the vendor/ manufacturer provide warranty data. This data will publish to the TS EIM foundational data base and will be identified on crew work orders.	12/31/20	
VP/GM, Energy	Director, Electric Systems Asset Management	Audit noted that there is no process for evaluation of an asset to determine if it should be replaced or refurbished.	Asset Lifecycle data will be published using Tableau visualizations. TS EIM Asset 360 project will publish asset lifecycle data to asset records including asset health and risk scoring. This view of the asset will assist Asset Management and O&M personnel in determining repair or replace decisions.	6/30/20	

December 2019

December 2019



Forensic Audit & Investigations (FAI)



FAI Highlights

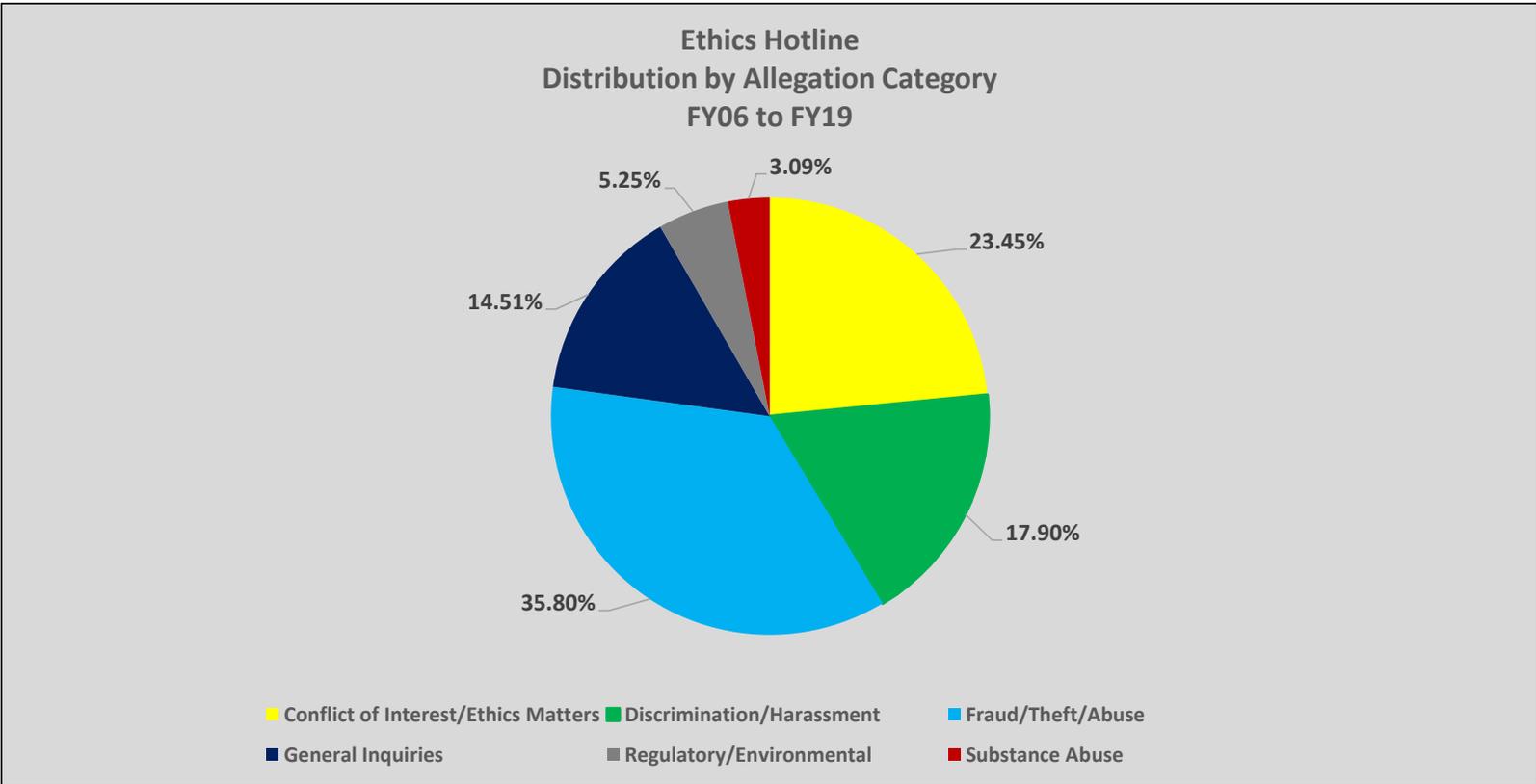


- ✓ After the recent retirement of Linda Williamson, Julie Moore was promoted to Manager, Forensic Audit & Investigations.
- ✓ For FY20, the FAI team has transitioned from paper-based to electronic case files. This enhancement reduces file storage space, strengthens business continuity, and streamlines our workpaper approval process.
- ✓ FAI is also updating its reporting process. In the past, case summaries were reported with a memo to file. Going forward, a formal report, similar in format to Internal Audit's, will be issued to the applicable business units. This will improve the communication of issues to not only the department affected by the allegation, but also our Senior Leadership Team.
- ✓ The FAI team has compiled historical case statistics for trend analysis. Pages 17-20 present Ethics Hotline allegation trends since system inception, for the latest three-year period, and for FY19.

December 2019

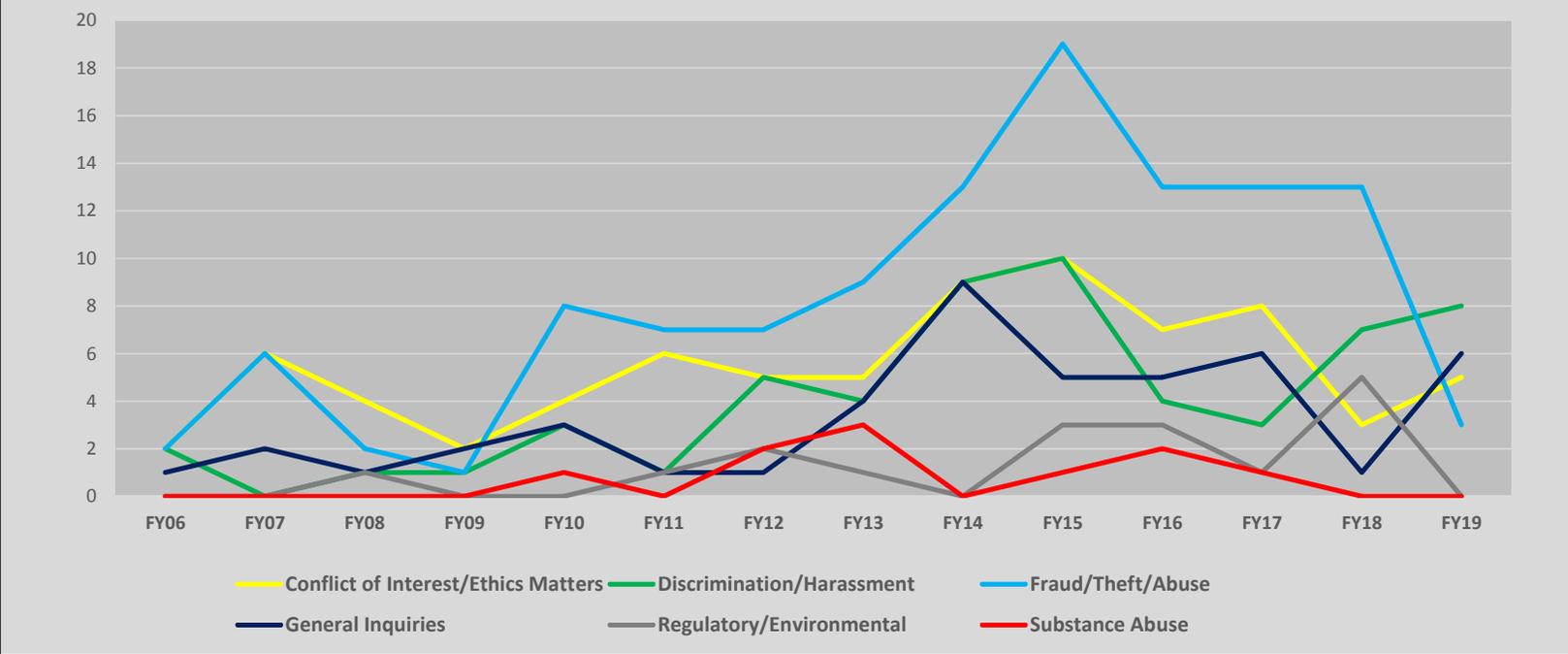


**Forensic Audit
& Investigations (FAI)**



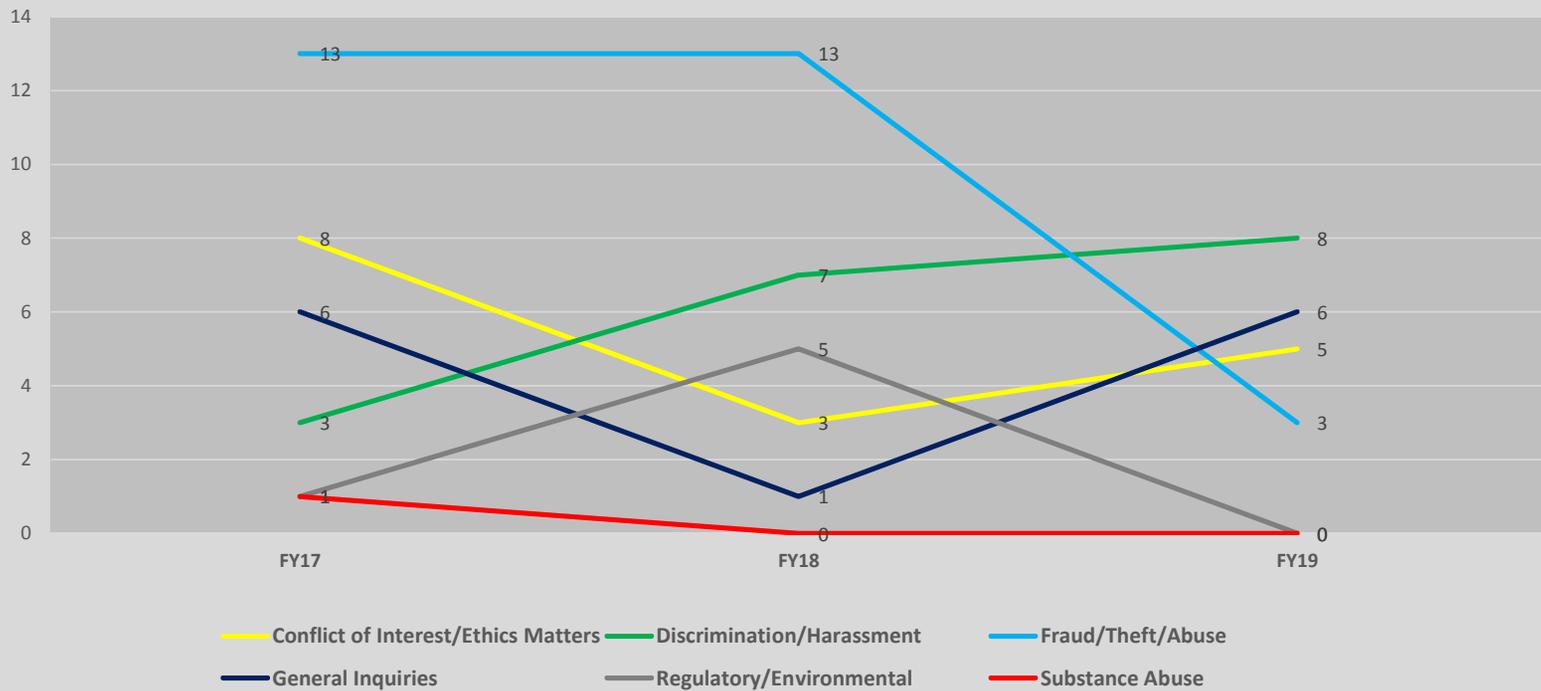
December 2019

Ethics Hotline
Trend by Allegation Category
FY06 to FY19

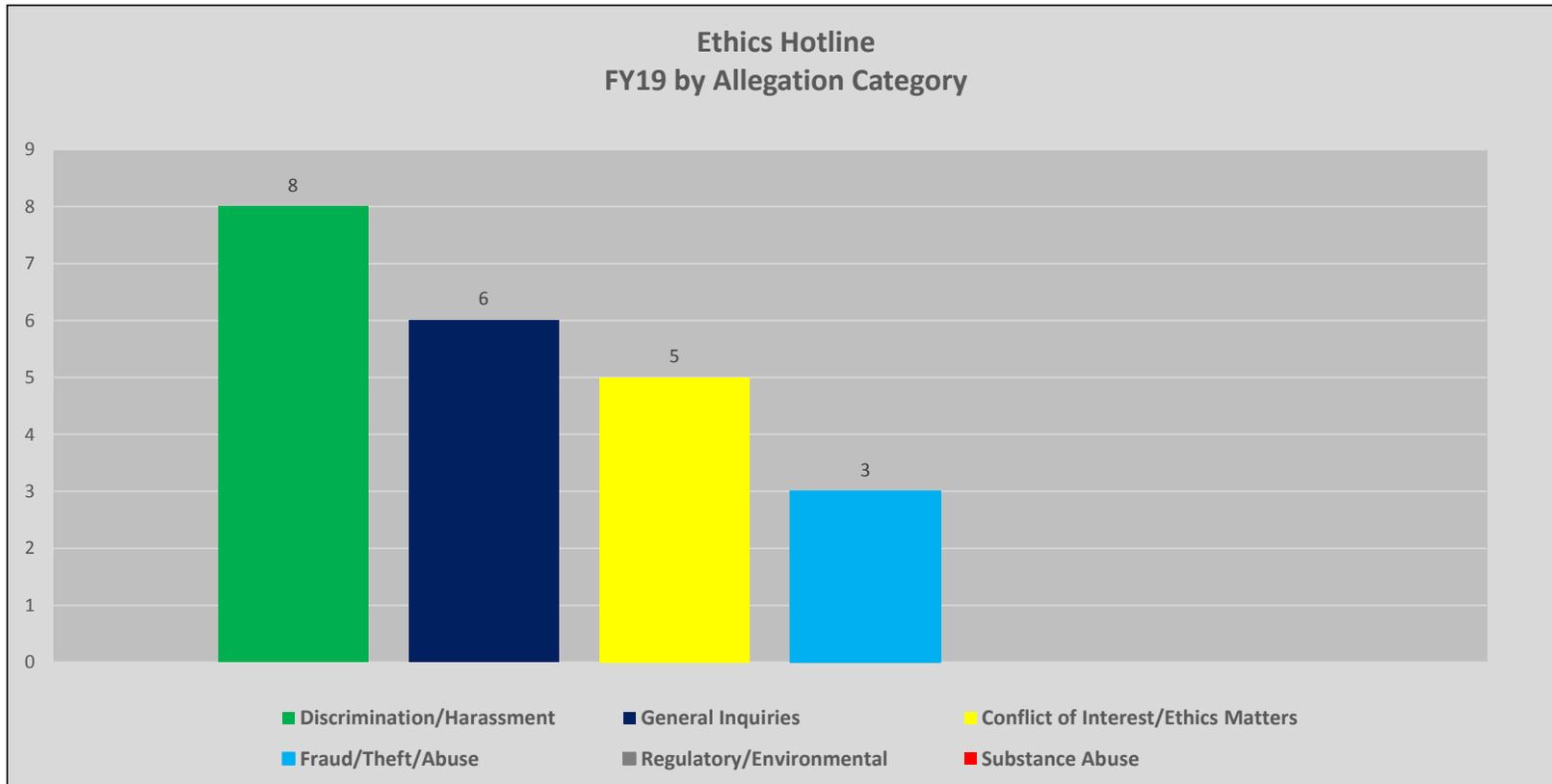


December 2019

Ethics Hotline Trend by Allegation Category FY17 to FY19



December 2019



December 2019

Investigative Case Statistics – 4Q19

Open Cases 7/1/2019	Cases Opened Q4 FY19	Cases Closed Q4 FY19	Open Cases 9/30/2019
8	5	4	9
Categories For Cases Opened During Q4 FY19			
General Inquiries			3
Discrimination/Harassment			2
Total			5

Summary of Closed Cases – 4Q19

Reporting Source	Allegation	Investigation Results
External	JEA-18-09-0001 - An anonymous individual alleged that JEA light poles and lights were stolen by a JEA lineman. Additionally, the employee may have falsified time and attendance records.	No evidence was found to conclude light poles or lights were stolen from JEA by an employee. The allegation of falsified time and attendance records was also unsubstantiated.
Internal	JEA-18-10-0001 - When preparing evaluations, a Manager noticed unusual badging patterns by an employee. Upon further review, inconsistencies concerning work hours and time reports were noted.	An investigation revealed numerous instances where the employee was not working the hours claimed on the employee's timesheet. Subsequently, the employee retired and repaid the monies due for restitution.
EHL	JEA-19-07-0001 and JEA-19-07-0002 - A JEA customer called the Hotline regarding a connection fee, an increase in their deposit, and poor customer service.	The Call Center reached out to the customer and offered an adjustment on the connection fee and a payment plan for the additional required deposit. The customer service issue was relayed to the Director for handling.

December 2019



INTER-OFFICE MEMORANDUM

November 01, 2019

SUBJECT: IDENTITY THEFT PROTECTION PROGRAM (FACTA) ANNUAL RISK ASSESSMENT

FROM: Aaron F. Zahn, Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair
April Green
Henry Brown

BACKGROUND:

JEA's Identity Theft Protection Program is a critical program designed to protect customer's Personally Identifiable Information (PII). Various regulations listed below mandate JEA to maintain an effective identity theft protection program.

DISCUSSION:

JEA's Identity Theft Protection Program as per the regulations requires an assessment of JEA's Identity Theft Risk and present it to an appointed committee of the JEA Board. The current report covers the JEA performance for the period of January thru December, 2018.

RECOMMENDATION:

JEA's Compliance Oversight Committee requests the Finance and Audit Committee review the assessment data and provide any feedback to improve the program.

Aaron F. Zahn, Managing Director/CEO

AFZ/THE/DDM

2018 Risk Assessment

JEA Identity Theft Protection Program
Annual Risk Assessment

Dan Mishra – Director, CIP Compliance



Overview

- JEA has a program to comply with Federal and State regulations concerning identity theft (FCRA, FACTA and FIPA).
 - *FCRA – Fair Credit Reporting Act, 15 U.S.C. § 1681*
 - *FACTA – Fair and Accurate Credit Transactions Act of 2003*
 - *FIPA – Florida Information Protection Act, (501.171)*
- These three acts address protection of Personally Identifiable Information (PII) of customers, employees, agents and contractors in JEA's possession.



Compliance Oversight Committee

- Compliance Oversight Committee (COC) oversees compliance with Identity Theft Standards.
- Committee consists of Chief Compliance Officer, Chief Customer Officer, Chief Information Officer, and Chief Human Resources Officer.
- Objective of Risk Assessment – Review performance and identify major weaknesses or improvement opportunities.
- Summary of Risk Assessment provided to Finance & Audit Committee to fulfill FACTA Annual Reporting requirement.



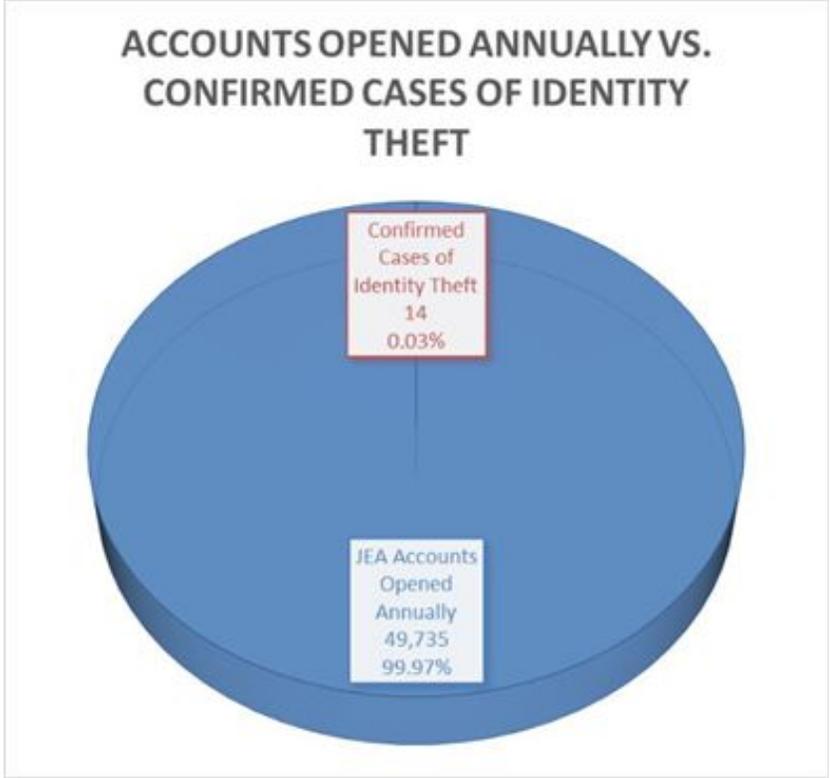
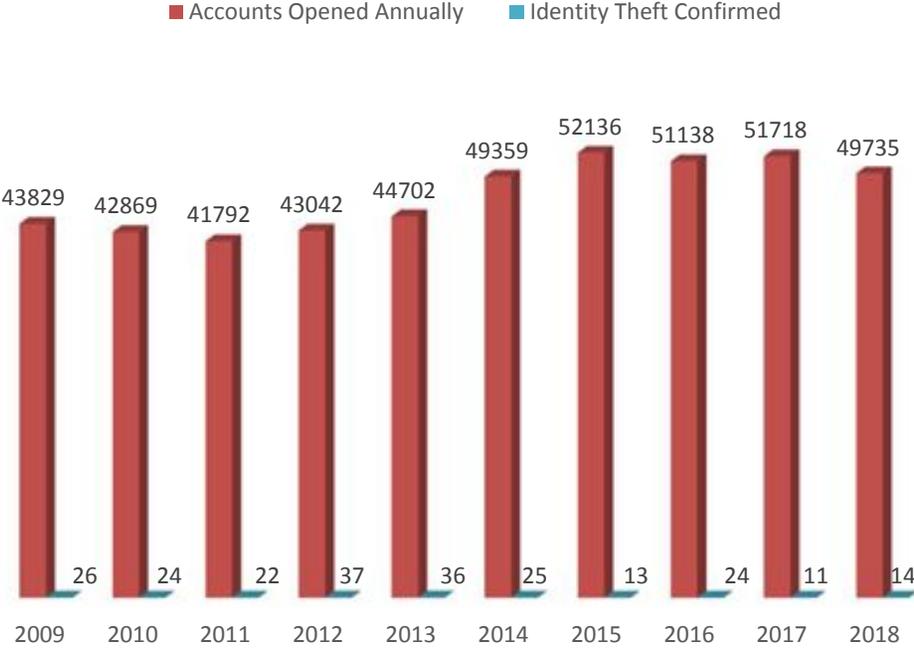
Risk Assessment Approach

- 2 Part Review
 - Review of controls applied to JEA data and information acquired by JEA using customer service channels.
 - Review of controls applied to JEA data and information stored within JEA and shared with business partners and JEA personnel.



Program Metrics

Accounts Opened Annually vs. Confirmed Cases of Identity Theft

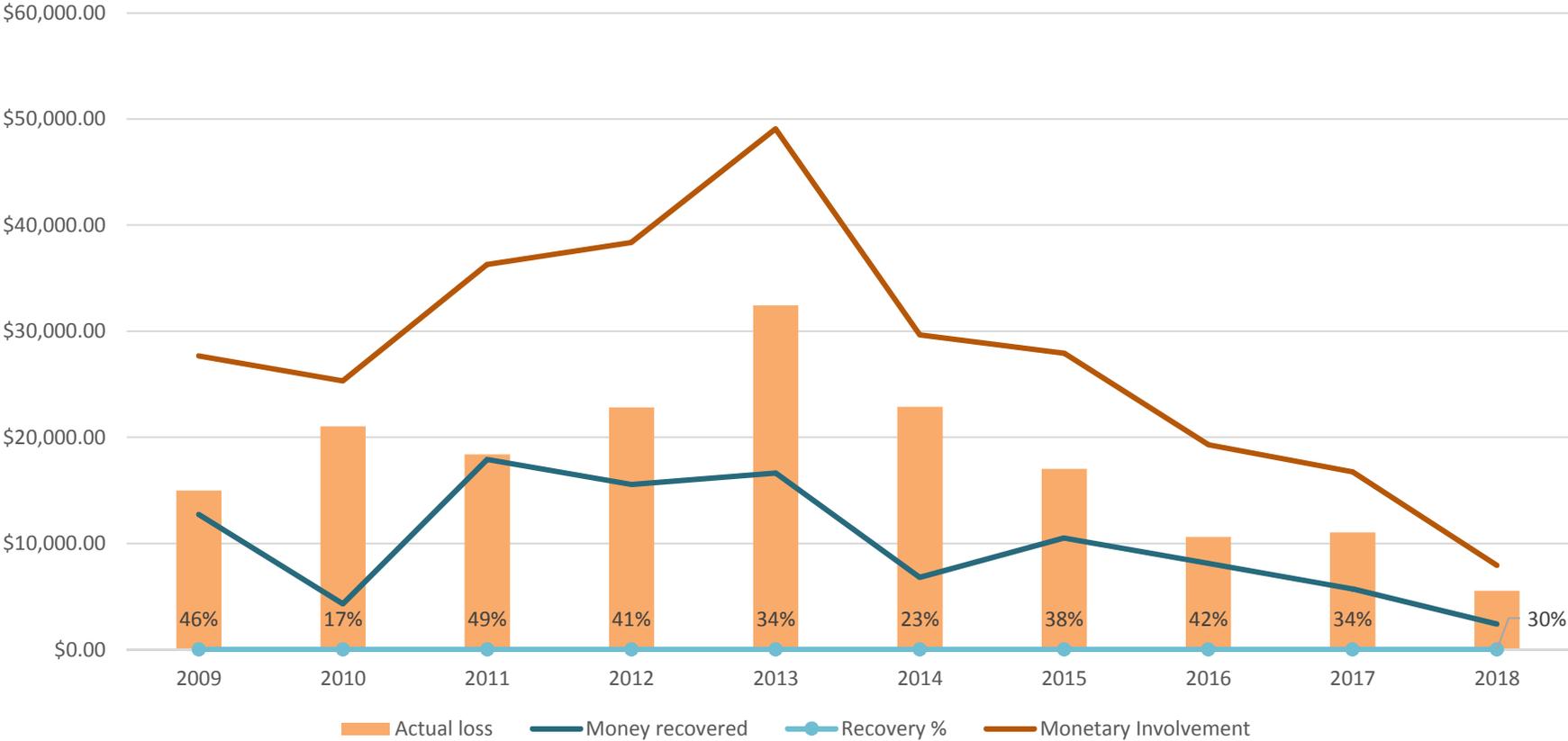


In 2018 – 21 Cases Opened



Program Metrics

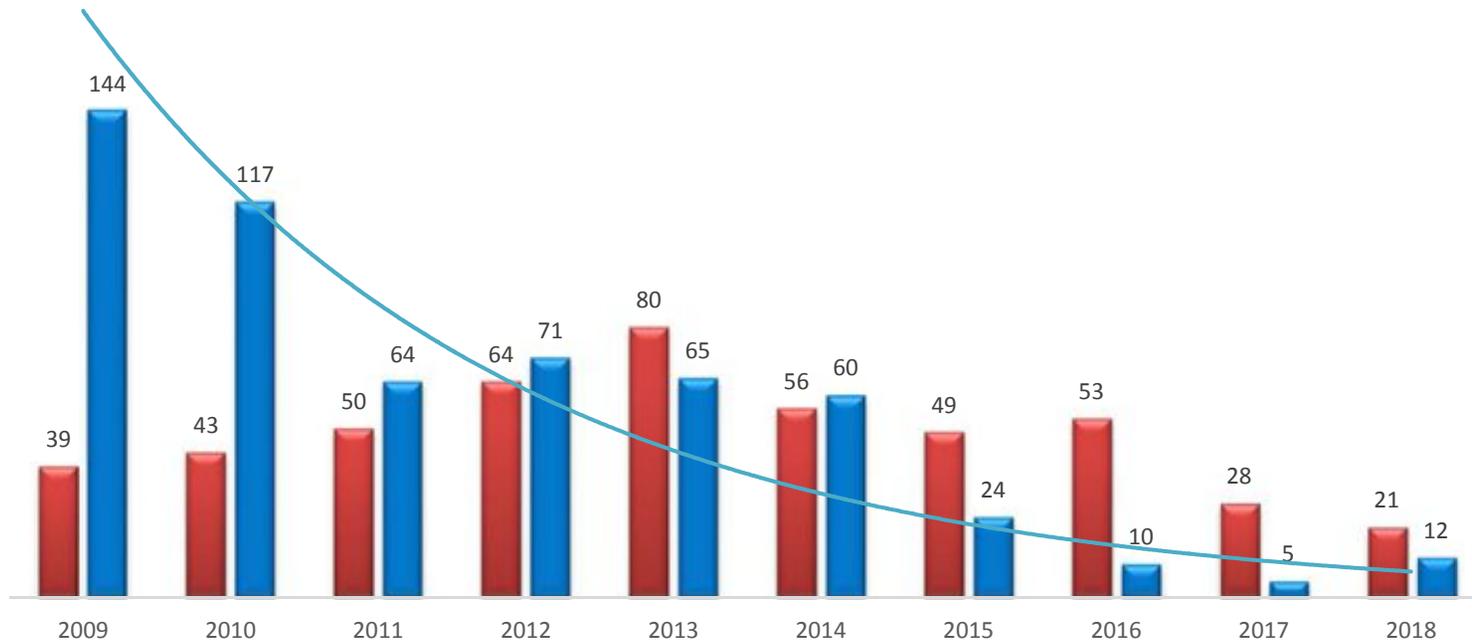
Monetary Involvement
Monetary Recovery vs. Losses



Operational Metrics

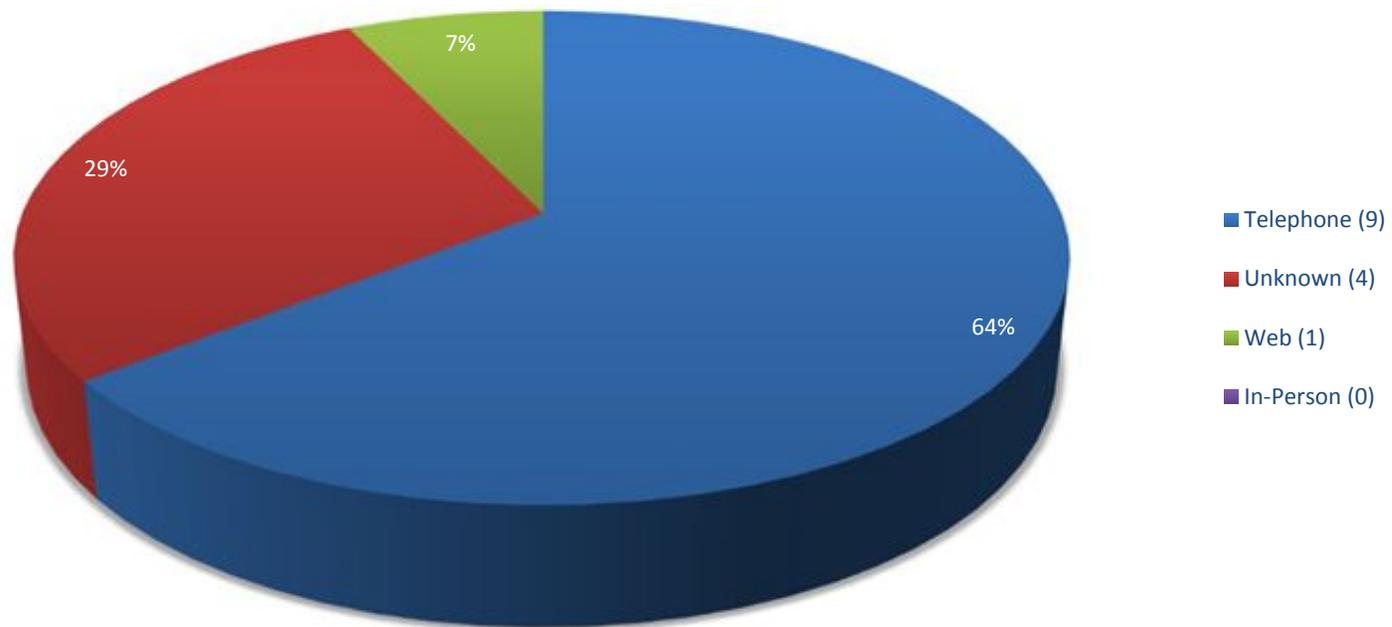
Average Resolution Time (days) Reported cases of Identity Theft

Cases opened Average Days to close Expon. (Average Days to close)



Sources

Source of Account Opening
Confirmed Cases 2018



2018 Identity Theft Summary of Results

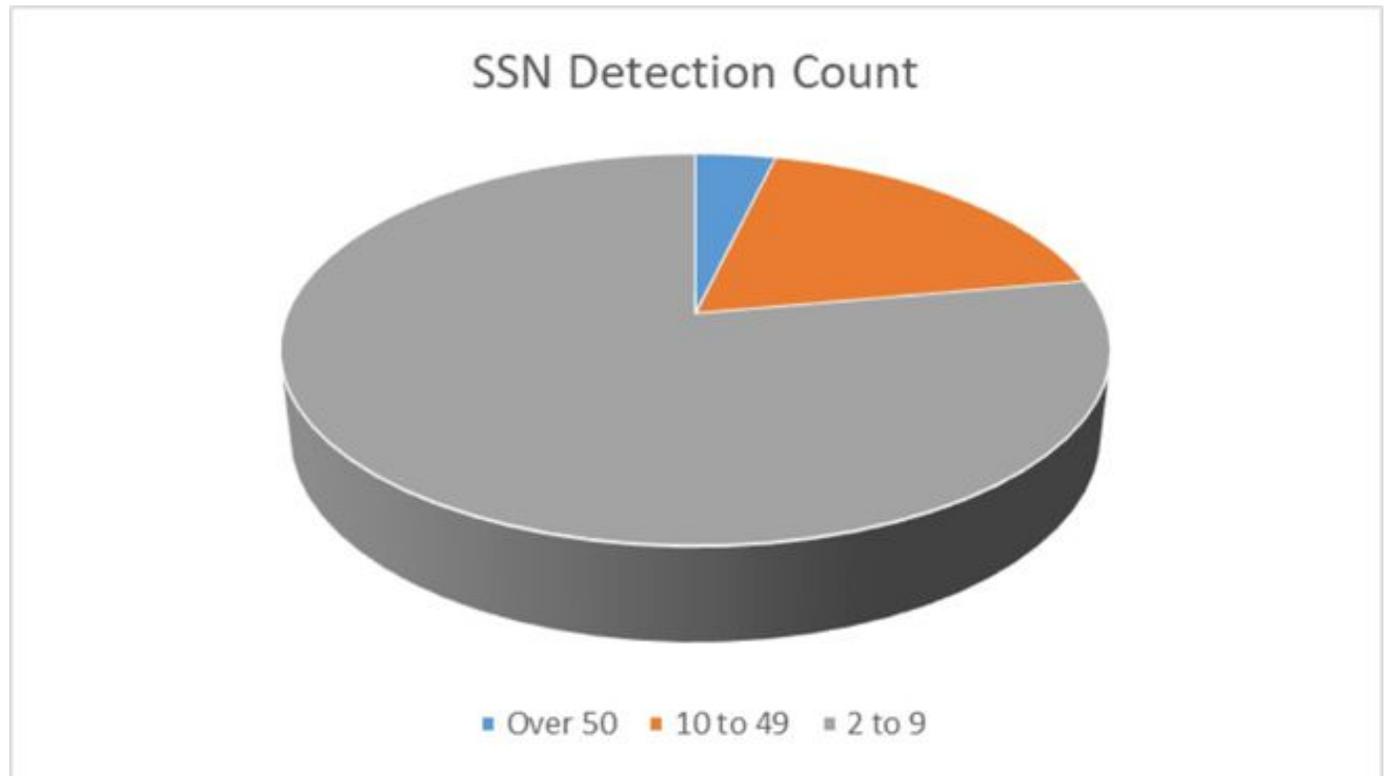
Of the 14 confirmed cases in 2018:

- 7 cases account opened prior to the 2012 implementation of a more robust identity verification process using Experian
- 5 cases the account opener provided verifiable PII
- 3 cases (.007% of accounts opened in 2018) resulted from human error, additional training was designed and provided



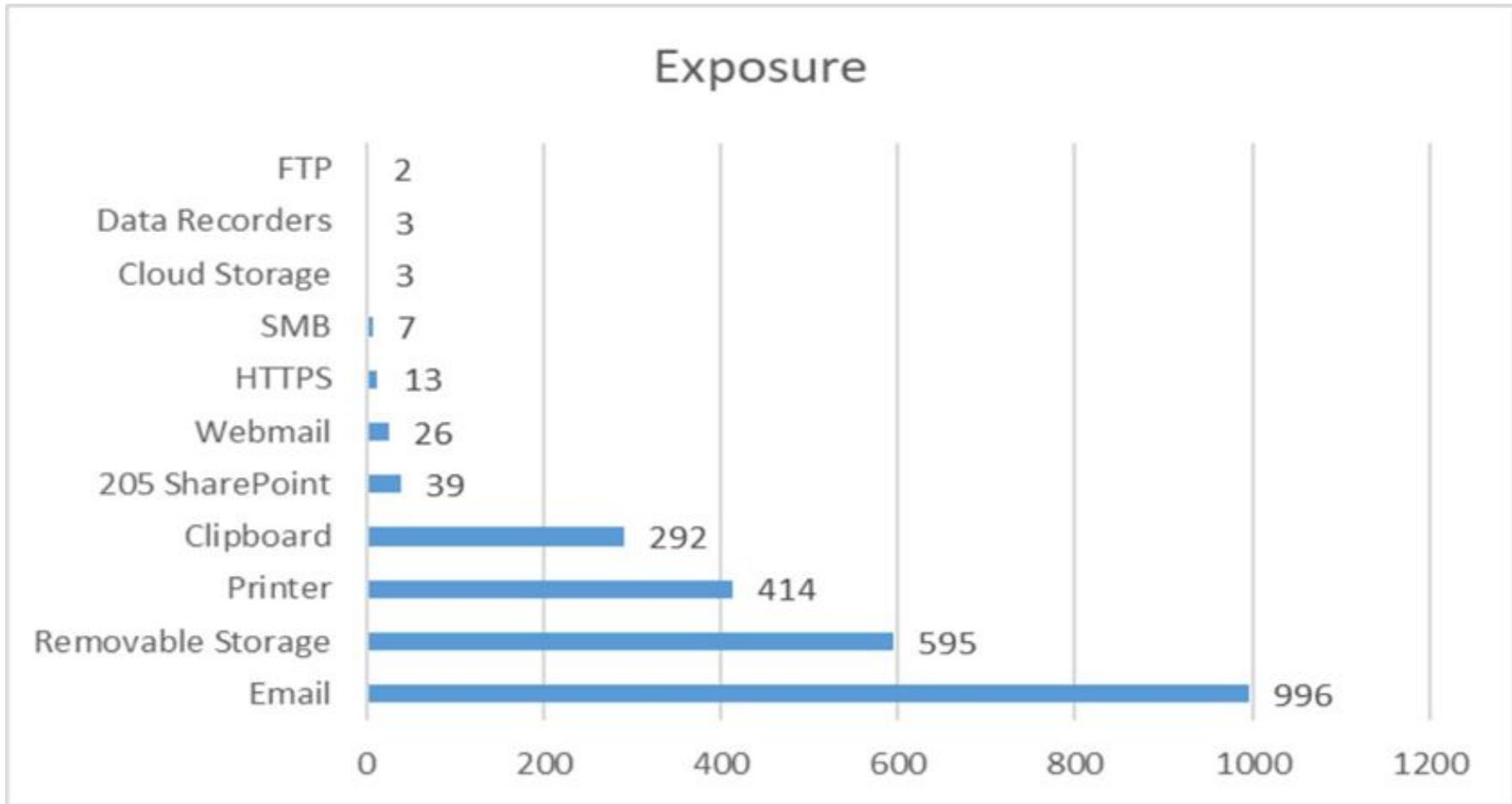
Data Loss Prevention Metrics

SSN Detection Count		
Over 50	89	Blocked
10 to 49	441	Blocked
2 to 9	1860	Alerted
Total Detections*	2390	



*Significant number of detected cases may include false positives

Data Loss Prevention - Exposure



The above graph identifies the Channel used which SSN transmission was detected.



Issues & Concerns

- Data Loss Prevention Process
- Documented Security Controls for DLP
- Authorization and PII Asset Inventory
- Post Alert Investigation for confirmation of Data Loss or PII Exfiltration.
- Accountability Awareness Training
- Ad-hoc interpretation applied by Technology Services

2018 Summary of Results

- No reportable data breach has been recorded for the calendar year 2018.
- Three cases of failed security controls impacting PII data were recorded and corrected.



Process Improvements in effect

- Data Registry for authorized users who transmit sensitive data on behalf of JEA.
- IAM based Access Control for PII data (in planning)
- Post-account opening audits implemented.
 - Verify account SSN has corresponding Experian query.
 - Verify segregation of duties principles are followed for SSN changes.
- Enhanced script to identify duplicate SSN usage.
- Enhanced script for online account openings.
- Mobile Identity Verification tool.



Long-Term Improvement Proposals

- Secure FTP or Dropbox Site for enterprise
- Update DLP Alert Response/Investigation Process
- DLP Metrics monthly report for Compliance Oversight Committee review
- IAM based Access Control for PII data (in planning)

Conclusion

- JEA is compliant with FACTA, FCRA, and FIPA.
- Appropriate controls are in place to prevent, detect, and mitigate identity theft.
- Improved cyber security controls, metrics and response testing recommended.
- In the rare event identity theft occurs, steps are taken to identify the root cause, and corrective actions are taken.





INTER-OFFICE MEMORANDUM

November 14, 2019

SUBJECT: ETHICS OFFICER REPORT

FROM: Aaron F. Zahn, Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair
April Green
Henry Brown

BACKGROUND:

Per Ordinance 2011-197-E, JEA is required to appoint an Ethics Officer to represent the agency on ethics matters and to participate in a citywide Ethics Coordination Council. The Finance and Audit Committee will receive a quarterly update from the Ethics Officer.

DISCUSSION:

JEA Ethics Officer ensures information is shared and advice given regarding issues and questions. This role manages ethical concerns for the organization and ensure compliance with business and governmental regulations.

RECOMMENDATION:

This item is for information only.

Aaron F. Zahn, Managing Director/CEO

AFZ/THE/WMS



Ethics Officer Report
Walette Stanford
December 2019

Year in Review

2019

December 2019



OFFICE OF ETHICS
ANNUAL SNAPSHOT 2019
WALETTE STANFORD, ETHICS OFFICER

★

ADVICE	TRAINING		
94 INQUIRIES MANAGED Gifts, travel, secondary employment, Nepotism, conflicts, & others (*Up from previous year)	2271 PEOPLE TRAINED JEA employees, Contract employees (i.e...Randstad, Aeoretek, Robert Half) (*Created Separate training for both groups)		
COMPLIANCE	CITY PROGRAM	UPDATED POLICIES	
100% FINANCIAL DISCLOSURE COMPLIANCE FOR JEA EXECUTIVES & BOARD MEMBERS.	100% CONTRIBUTED TO THE ETHICS OFFICERS PUBLISHED 2 ND CITY-WIDE PLAN AND REPORT	4 SIMPLIFIED ETHICS POLICIES AND PROCEDURES TO MAKE THEM EASIER TO UNDERSTAND	
ETHICS EDUCATION			
Established Quarterly Newsletter. Highlighted the following topics.	 CONFLICTS OF INTEREST 2 nd quarter	 MISUSE OF TIME, SUPPLIES OR EQUIPMENT 3 rd quarter	 NOT REPORTING SECONDARY EMPLOYMENT 4 th quarter

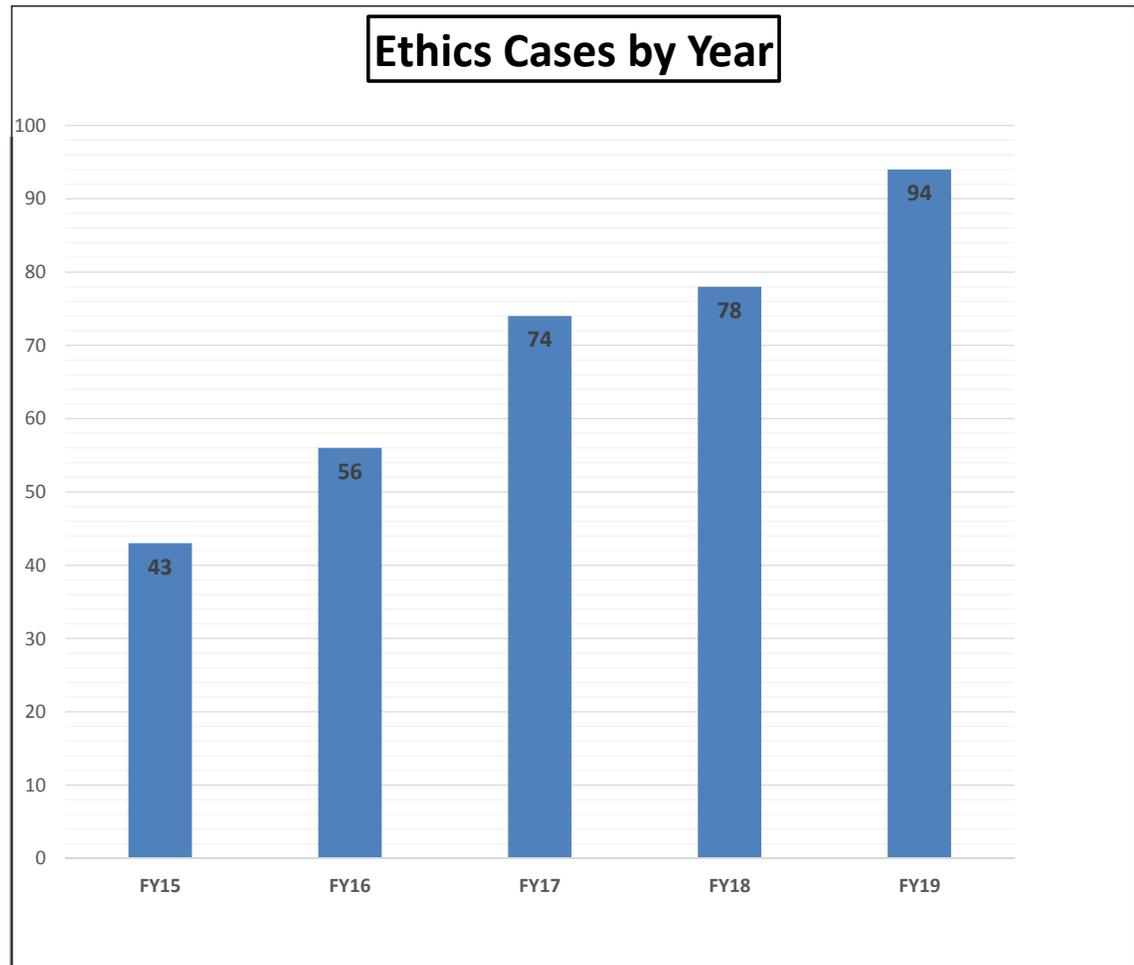
Why have Ethics inquiries doubled from 2015-2019?

- The Required Business Ethics Refresher Computer Based Training rolled out in 2016 for all employees
- Real examples were included in the training, which included common workplace dilemmas:
 - conducting personal business on company time
 - stealing on the job
 - Inappropriate/harassing behavior
- Ethics Officer became a full time position

December 2019



Ethics Officer Cases



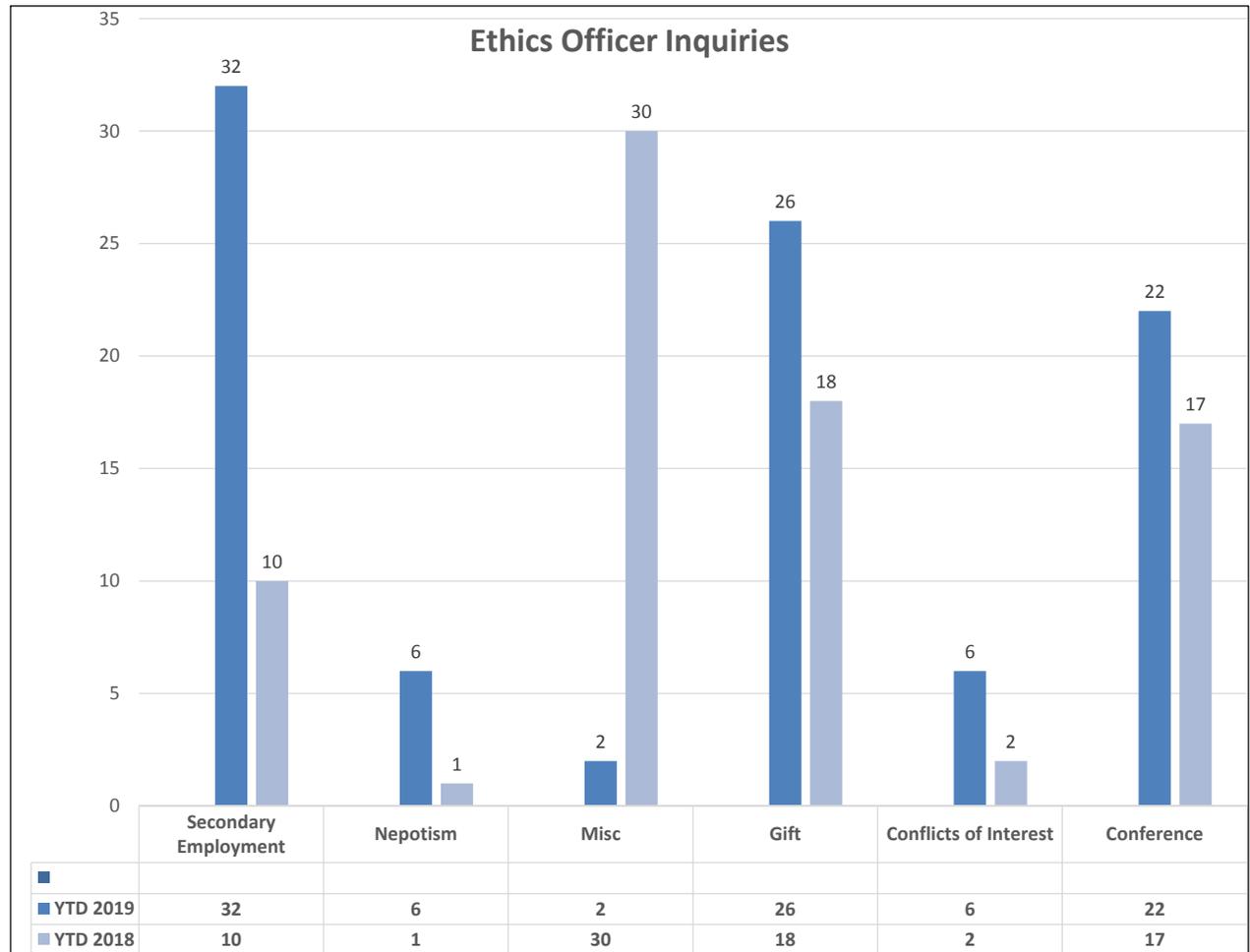
Inquiry Categories



December 2019



Ethics Officer Cases



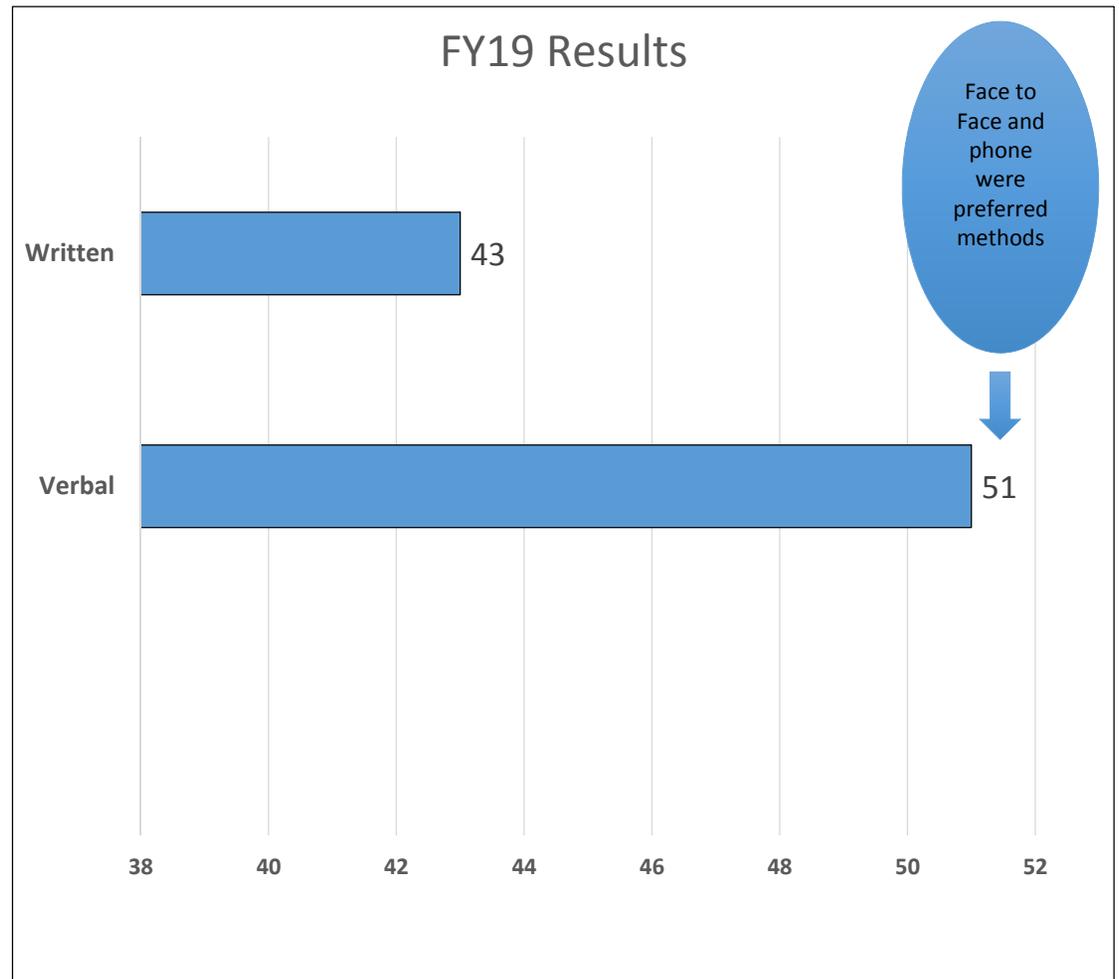
Report on Ethics Advice



December 2019



Ethics Officer Cases



Quarterly Newsletter

1st Quarter – FY20

Focusing on
Destroying Public Records

December 2019



FY20 update

JEA
BUSINESS ETHICS
OCTOBER
ETHICS

JEA BUSINESS ETHICS

PREVENTING CONFLICTS,
PROMOTING FAIRNESS
More on the JEA BUSINESS Ethics Page on the Grid

<p>GIFTS OVER \$100 OR ASKING FOR THINGS</p>	<p>NOT REPORTING SECONDARY EMPLOYMENT</p>	<p>TRAVEL PAID BY 3RD PARTY</p>
<p>MISUSE OF TIME, SUPPLIES OR EQUIPMENT</p>	<p>CONFLICTS OF INTEREST</p>	<p>MISUSE OF POSITION</p>
<p>SUNSHINE VIOLATIONS</p>	<p>HIRING OR PROMOTING RELATIVES</p>	<p>DESTROYING PUBLIC RECORDS</p>

IF YOU SEE SOMETHING, SAY SOMETHING
ETHICS HOTLINE 1-800-805-3569

Business Ethics Update and What's Next



December 2019



FY 20 update

- Preparing Companywide Annual Business Ethics training with Learning and Development for all employees in March 2020.
- Updated the JEA Gifts and Secondary Employment policies based on city ordinance updates. The updated procedures rolled out on September 25th. The policies are housed in Policy Tech for employee review and approval.
- Revamped the Business Ethics Guidelines to the Business Code of Conduct. Rollout planned for November.
- 1st Quarter FY20 Ethics Newsletter topic is Destroying Public Records.



INTER-OFFICE MEMORANDUM

November 17, 2019

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

FROM: Aaron F. Zahn, Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair
April Green
Henry Brown

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 August 2012.

DISCUSSION:

Attached are the reserve fund schedules referenced above for the period ending September 30, 2019.

RECOMMENDATION:

No action required; provided for information only.

Aaron F. Zahn, Managing Director/CEO

AFZ/RFW/JEO/BHG



Quarterly Reserve Report

**For the Fourth Quarter Ending
September 2019**



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

For the Years Ending September 30
(In Thousands of Dollars)

Electric System

	<u>Actual</u> <u>Fiscal Year</u> <u>2017</u>	<u>Actual</u> <u>Fiscal Year</u> <u>2018</u>	<u>Actual</u> <u>Fiscal Year</u> <u>2019</u>	<u>Projected</u> <u>Fiscal Year</u> <u>2020</u>	<u>Detail</u> <u>Page #</u>
Unrestricted					
Operations/Revenue Fund	\$ 54,800	\$ 85,482	\$ 34,611	\$ 14,020	
Debt Management Strategy Reserve	-	-	-	-	
Self Insurance Reserve Fund					
• Property	10,000	10,000	10,000	10,000	3
• Employee health insurance	9,214	8,138	11,210	11,210	4
Rate Stabilization					
• Fuel	131,716	74,376	47,152	86,763	5
• DSM/conservation	3,695	3,470	4,363	3,832	6
• Environmental	36,417	42,163	25,632	25,008	7
• Debt Management	29,884	29,884	29,884	-	8
• Non-Fuel Purchased Power	25,189	53,493	56,870	35,500	9
Environmental	17,672	16,818	16,568	16,568	10
Customer Deposits	42,105	44,242	44,785	44,785	11
Total Unrestricted	360,692	368,066	281,075	247,686	
Days of Cash on Hand (2)	234	219	146	134	
Restricted					
Debt Service Funds (Sinking Funds)	167,087	159,656	145,520	86,445	12
Debt Service Reserve Funds	60,582	60,582	60,582	53,949	13
Renewal and Replacement Funds/OCO (3)	201,368	189,922	81,964	120,382	14
Construction Funds	-	203	-	-	15
Total Restricted	429,037	410,363	288,066	260,776	
Total Electric System	\$ 789,729	\$ 778,429	\$ 569,141	\$ 508,462	

Water and Wastewater System

Unrestricted					
Operations/Revenue Fund	\$ 69,232	\$ 43,461	\$ 17,935	\$ 20,451	
Rate Stabilization					
• Debt Management	20,290	14,209	14,209	-	16
• Environmental	1,699	5,214	15,687	15,687	17
Customer Deposit	13,910	15,086	16,289	16,289	18
Total Unrestricted	105,131	77,970	64,120	52,427	
Days of Cash on Hand (2)	496	454	186	100	
Restricted					
Debt Service Funds (Sinking Funds)	65,410	82,208	80,775	44,022	19
Debt Service Reserve Funds	108,086	107,488	63,441	59,323	20
Renewal and Replacement Funds	179,431	150,319	48,796	13,687	21
Environmental Fund [Capital Projects]	2,659	1,839	1,891	1,000	22
Construction Funds	152	15	28,968	13,968	23
Total Restricted	355,738	341,869	223,871	132,000	
Total Water & Sewer System	\$ 460,869	\$ 419,839	\$ 287,991	\$ 184,427	

(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 - Employee Health Insurance

For the Fourth Quarter Ending September 30, 2019

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.

(In Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	2020	2021	2022
Opening Balance	\$ 10,720	\$ 8,138	\$ 11,210	\$ 11,210	\$ 11,210
Additions:					
Employee Contributions	1,636	6,423	6,744	7,081	7,435
Retiree & Other Contributions	3,330	8,270	8,684	9,205	9,757
Employer Contributions	4,734	20,662	19,438	21,214	23,108
Sub-total	<u>\$ 9,700</u>	<u>\$ 35,355</u>	<u>\$ 34,866</u>	<u>\$ 37,500</u>	<u>\$ 40,300</u>
Withdrawals:					
Payments for Claims	8,456	29,860	32,249	34,805	37,524
Actuary & Other Payments	754	2,423	2,617	2,695	2,776
Sub-total	<u>\$ 9,210</u>	<u>\$ 32,283</u>	<u>\$ 34,866</u>	<u>\$ 37,500</u>	<u>\$ 40,300</u>
Ending Balance	<u>\$ 11,210</u>	<u>\$ 11,210</u>	<u>\$ 11,210</u>	<u>\$ 11,210</u>	<u>\$ 11,210</u>

Historical Activity

	2015	2016	2017	2018	2019
Opening Balance	\$ 10,749	\$ 10,937	\$ 11,179	\$ 9,214	\$ 8,138
Additions:					
Employee Contributions	5,447	5,460	5,862	6,158	6,423
Retiree & Other Contributions	5,141	5,694	6,443	7,273	8,270
Employer Contributions	22,220	24,231	19,004	18,378	20,662
Sub-total	<u>\$ 32,808</u>	<u>\$ 35,385</u>	<u>\$ 31,309</u>	<u>\$ 31,809</u>	<u>\$ 35,355</u>
Withdrawals:					
Payments for Claims	30,408	32,946	30,994	30,933	29,860
Actuary & Other Payments	2,212	2,197	2,280	1,952	2,423
Sub-total	<u>\$ 32,620</u>	<u>\$ 35,143</u>	<u>\$ 33,274</u>	<u>\$ 32,885</u>	<u>\$ 32,283</u>
Ending balance	<u>\$ 10,937</u>	<u>\$ 11,179</u>	<u>\$ 9,214</u>	<u>\$ 8,138</u>	<u>\$ 11,210</u>



Maximum Balance: 12,860
Minimum Balance: 6,922

Average Balance: 9,994

Observations

- Self Insurance for Employee Health Insurance began in July 2009.

Electric System Rate Stabilization - Fuel Management

For the Fourth Quarter Ending September 30, 2019

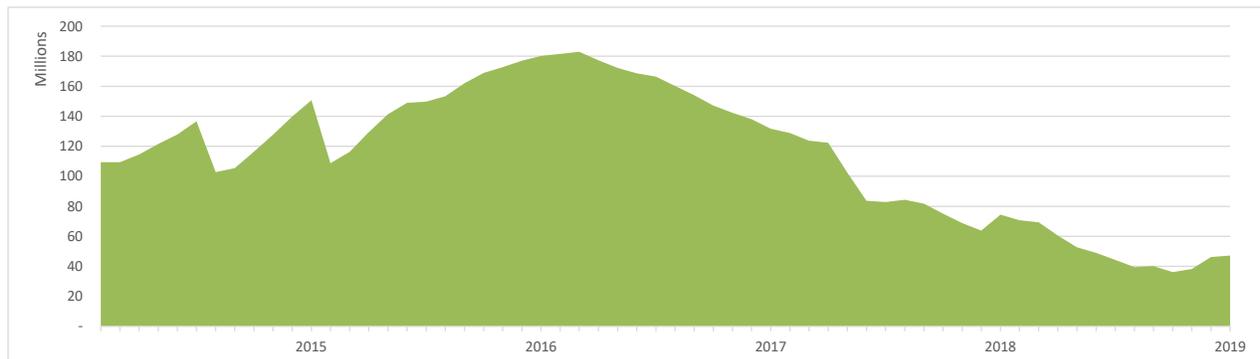
Definitions and Goals

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 (i) the maximum fiscal year fuel cost in the preceding five fiscal years or (ii) the projected fiscal year 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.

(In Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	2020	2021	2022
Opening Balance	\$ 36,191	\$ 74,376	\$ 47,152	\$ 86,763	\$ 81,688
Additions:					
Contributions	10,961	11,597	39,611		
Sub-total	\$ 10,961	\$ 11,597	\$ 39,611	\$ -	\$ -
Withdrawals:					
Withdrawals		38,821		5,075	1,962
Sub-total	\$ -	\$ 38,821	\$ -	\$ 5,075	\$ 1,962
Ending Balance	\$ 47,152	\$ 47,152	\$ 86,763	\$ 81,688	\$ 79,727

Historical Activity

	2015	2016	2017	2018	2019
Opening Balance	\$ 105,457	\$ 150,742	\$ 180,115	\$ 131,716	\$ 74,376
Additions:					
Contributions	95,224	85,979	2,845		11,597
Sub-total	\$ 95,224	\$ 85,979	\$ 2,845	\$ -	\$ 11,597
Withdrawals:					
Withdrawals			51,244	57,340	38,821
Fuel Rebate Credit	49,939	56,606			
Sub-total	\$ 49,939	\$ 56,606	\$ 51,244	\$ 57,340	\$ 38,821
Ending balance	\$ 150,742	\$ 180,115	\$ 131,716	\$ 74,376	\$ 47,152



Maximum Balance: 182,960
Minimum Balance: 36,191

Average Balance: 114,644

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 Self Insurance - Property

For the Fourth Quarter Ending September 30, 2019

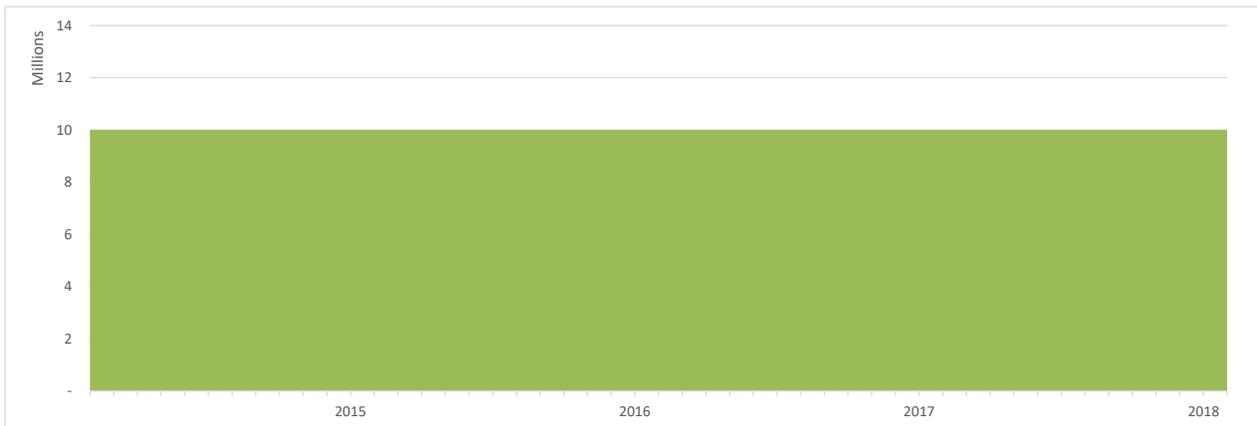
Definitions and Goals

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.

(In Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	<u>2020</u>	<u>2021</u>	<u>2022</u>
Opening Balance	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Additions:					
Contributions					
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals					
Ending Balance	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>

Historical Activity

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Opening Balance	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Additions:					
Contributions	-	-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals					
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Ending balance	<u>\$ 10,000</u>				



Observations

- Reserve/Fund Authorization: Budget Appropriation.

Electric System Rate Stabilization - Demand Side Management (DSM)

For the Fourth Quarter Ending September 30, 2019

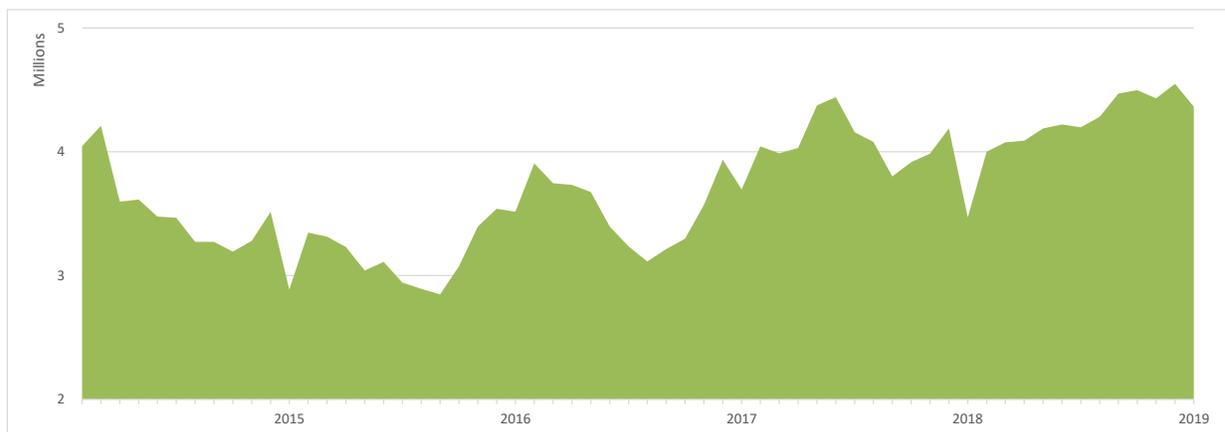
Definitions and Goals

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.

(In Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	2020	2021	2022
Opening Balance	\$ 4,498	\$ 3,470	\$ 4,363	\$ 3,832	\$ 3,114
Additions:					
Contributions	2,238	7,042	6,902	6,682	6,807
Sub-total	\$ 2,238	\$ 7,042	\$ 6,902	\$ 6,682	\$ 6,807
Withdrawals:					
Withdrawals	2,373	6,149	7,433	7,400	7,400
Sub-total	\$ 2,373	\$ 6,149	\$ 7,433	\$ 7,400	\$ 7,400
Ending Balance	\$ 4,363	\$ 4,363	\$ 3,832	\$ 3,114	\$ 2,521

Historical Activity

	2015	2016	2017	2018	2019
Opening Balance	\$ 3,570	\$ 2,886	\$ 3,515	\$ 3,695	\$ 3,470
Additions:					
Contributions	7,059	7,232	6,685	7,088	7,042
Sub-total	\$ 7,059	\$ 7,232	\$ 6,685	\$ 7,088	\$ 7,042
Withdrawals:					
Withdrawals	7,743	6,603	6,505	7,313	6,149
Sub-total	\$ 7,743	\$ 6,603	\$ 6,505	\$ 7,313	\$ 6,149
Ending balance	\$ 2,886	\$ 3,515	\$ 3,695	\$ 3,470	\$ 4,363



Maximum Balance:	4,549	Average Balance:	3,708
Minimum Balance:	2,848		

Observations

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

Electric System Rate Stabilization - Environmental

For the Fourth Quarter Ending September 30, 2019

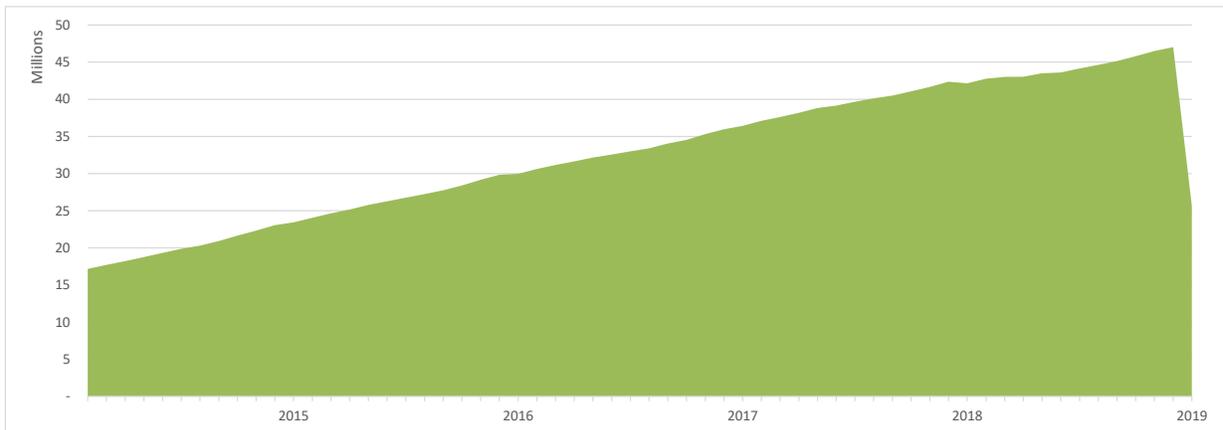
Definitions and Goals

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.

(In Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	<u>2020</u>	<u>2021</u>	<u>2022</u>
Opening Balance	\$ 45,790	\$ 42,163	\$ 25,632	\$ 25,008	\$ 22,354
Additions:					
Contributions	2,221	7,578	7,488	7,320	7,320
Sub-total	<u>\$ 2,221</u>	<u>\$ 7,578</u>	<u>\$ 7,488</u>	<u>\$ 7,320</u>	<u>\$ 7,320</u>
Withdrawals:					
Withdrawals	22,379	24,109	8,112	9,974	8,042
Ending Balance	<u><u>\$ 25,632</u></u>	<u><u>\$ 25,632</u></u>	<u><u>\$ 25,008</u></u>	<u><u>\$ 22,354</u></u>	<u><u>\$ 21,632</u></u>

Historical Activity

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Opening Balance	\$ 16,639	\$ 23,430	\$ 29,975	\$ 36,417	\$ 42,163
Additions:					
Contributions	7,586	7,700	7,384	7,572	7,578
Sub-total	<u>\$ 7,586</u>	<u>\$ 7,700</u>	<u>\$ 7,384</u>	<u>\$ 7,572</u>	<u>\$ 7,578</u>
Withdrawals:					
Withdrawals	795	1,155	942	1,827	24,109
Sub-total	<u>\$ 795</u>	<u>\$ 1,155</u>	<u>\$ 942</u>	<u>\$ 1,827</u>	<u>\$ 24,109</u>
Ending balance	<u><u>\$ 23,430</u></u>	<u><u>\$ 29,975</u></u>	<u><u>\$ 36,417</u></u>	<u><u>\$ 42,163</u></u>	<u><u>\$ 25,632</u></u>



Maximum Balance:	47,018	Average Balance:	32,694
Minimum Balance:	17,155		

Observations

- Rate Stabilization Fund for Environmental began in June 2010.

Electric System Rate Stabilization - Debt Management

For the Fourth Quarter Ending September 30, 2019

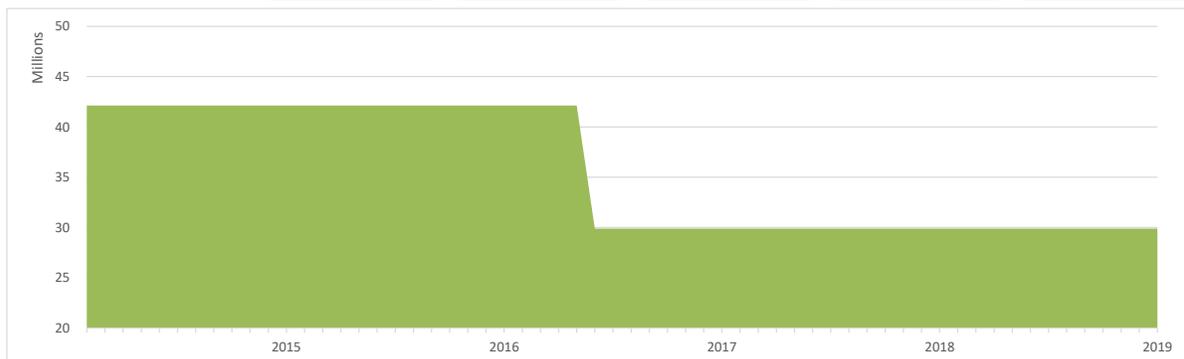
Definitions and Goals

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. 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.

(In Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year-to-Date	2020	2021	2022
Opening Balance	\$ 29,884	\$ 29,884	\$ 29,884	\$ -	\$ -
Additions:					
Contributions					
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals:					
Withdrawals			29,884		
Sub-total	\$ -	\$ -	\$ 29,884	\$ -	\$ -
Ending Balance	\$ 29,884	\$ 29,884	\$ -	\$ -	\$ -

Historical Activity

	2015	2016	2017	2018	2019
Opening Balance	\$ 42,126	\$ 42,126	\$ 42,126	\$ 29,884	\$ 29,884
Additions:					
Contributions					
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals:					
Withdrawals			12,242		
Sub-total	\$ -	\$ -	\$ 12,242	\$ -	\$ -
Ending balance	\$ 42,126	\$ 42,126	\$ 29,884	\$ 29,884	\$ 29,884



Maximum Balance:	42,126	Average Balance:	35,597
Minimum Balance:	29,884		

Observations

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

Electric System Rate Stabilization - Non-Fuel Purchased Power

For the Fourth Quarter Ending September 30, 2019

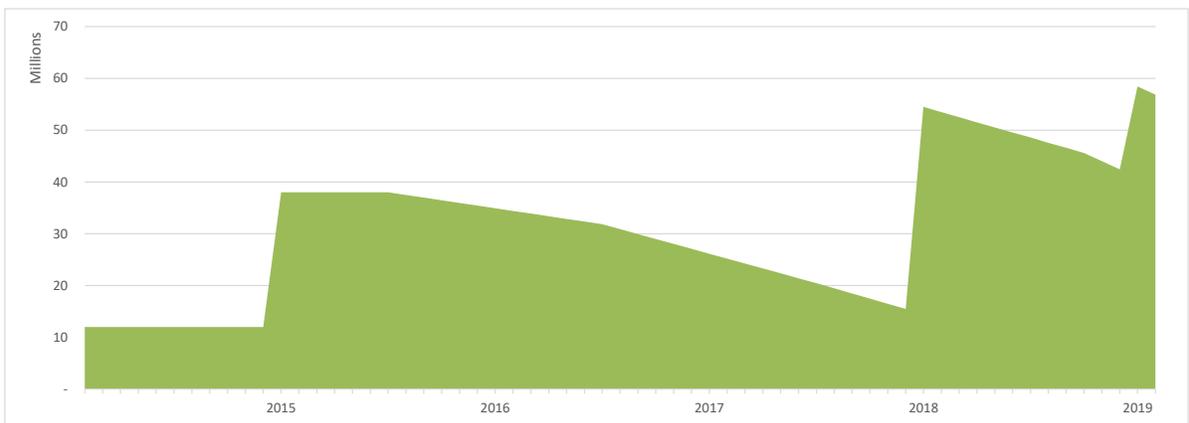
Definitions and Goals

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.

(In Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	2020	2021	2022
Opening Balance	\$ 44,003	\$ 53,493	\$ 56,870	\$ 35,500	\$ 1,175
Additions:					
Contributions	17,566	17,566			
Sub-total	<u>\$ 17,566</u>	<u>\$ 17,566</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Withdrawals:					
Withdrawals	4,699	14,189	21,370	34,325	1,175
Ending Balance	<u>\$ 56,870</u>	<u>\$ 56,870</u>	<u>\$ 35,500</u>	<u>\$ 1,175</u>	<u>\$ -</u>

Historical Activity

	2015	2016	2017	2018	2019
Opening Balance	\$ 12,000	\$ 38,000	\$ 34,400	\$ 25,189	\$ 53,493
Additions:					
Contributions	26,000			40,000	17,566
Sub-total	<u>\$ 26,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 17,566</u>
Withdrawals:					
Withdrawals		3,600	9,211	11,696	14,189
Sub-total	<u>\$ -</u>	<u>\$ 3,600</u>	<u>\$ 9,211</u>	<u>\$ 11,696</u>	<u>\$ 14,189</u>
Ending balance	<u>\$ 38,000</u>	<u>\$ 34,400</u>	<u>\$ 25,189</u>	<u>\$ 53,493</u>	<u>\$ 56,870</u>



Maximum Balance:	58,436	Average Balance:	31,657
Minimum Balance:	12,000		

Observations

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

Electric System Environmental Reserve

For the Fourth Quarter Ending September 30, 2019

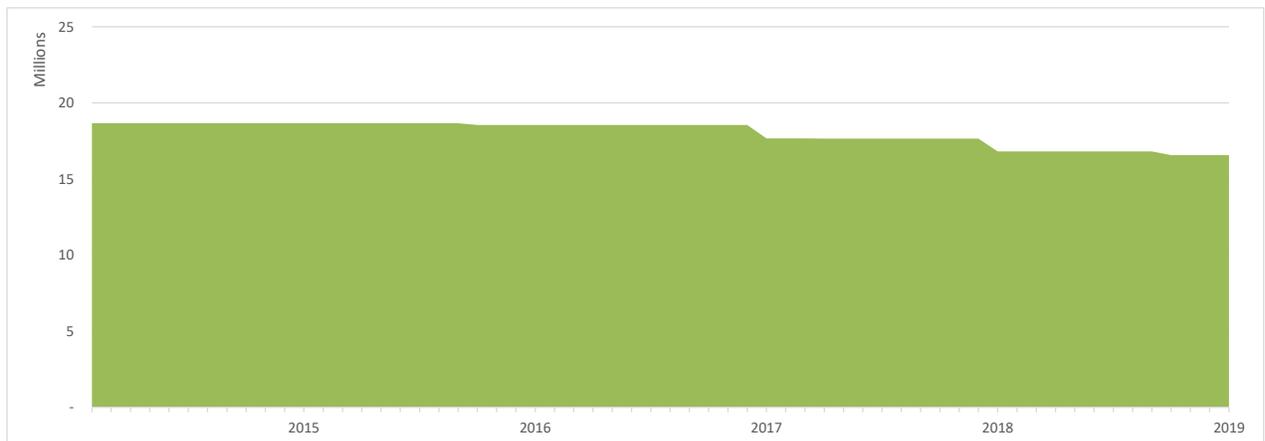
Definitions and Goals

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.

(In Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	<u>2020</u>	<u>2021</u>	<u>2022</u>
Opening Balance	\$ 16,568	\$ 16,818	\$ 16,568	\$ 16,568	\$ 16,068
Additions:					
Contributions					
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals:					
Withdrawals		250		500	5,000
Ending Balance	<u>\$ 16,568</u>	<u>\$ 16,568</u>	<u>\$ 16,568</u>	<u>\$ 16,068</u>	<u>\$ 11,068</u>

Historical Activity

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Opening Balance	\$ 18,662	\$ 18,662	\$ 18,556	\$ 17,672	\$ 16,818
Additions:					
Contributions					
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals:					
Withdrawals		106	884	854	250
Sub-total	\$ -	\$ 106	\$ 884	\$ 854	\$ 250
Ending balance	<u>\$ 18,662</u>	<u>\$ 18,556</u>	<u>\$ 17,672</u>	<u>\$ 16,818</u>	<u>\$ 16,568</u>



Maximum Balance: 18,662
Minimum Balance: 16,568

Average Balance: 18,017

Observations

- The Environmental Reserve began in FY 2008.

Electric System Customer Deposits

For the Fourth Quarter Ending September 30, 2019

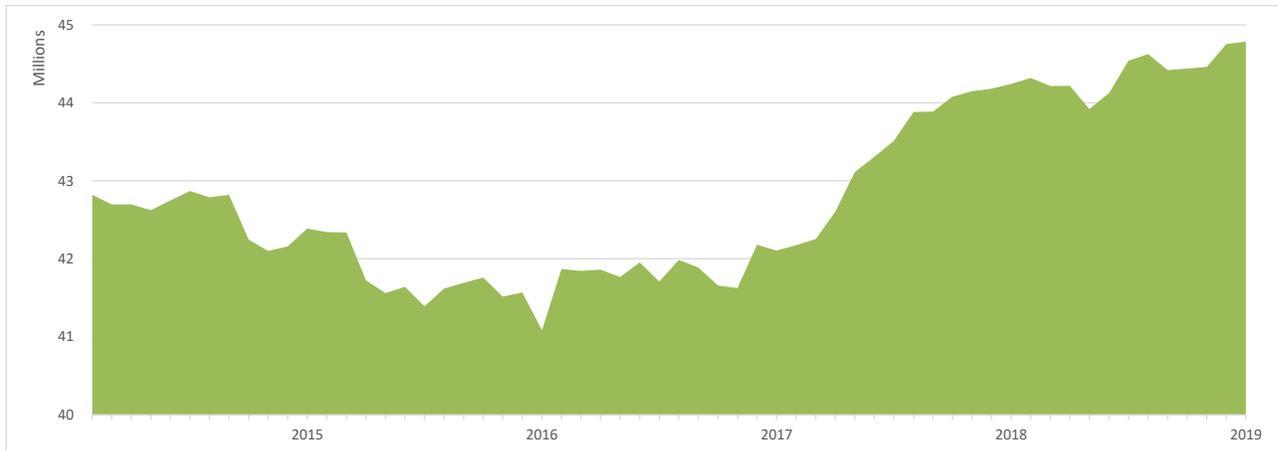
Definitions and Goals

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

(In Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	<u>2020</u>	<u>2021</u>	<u>2022</u>
Opening Balance	\$ 44,439	\$ 44,242	\$ 44,785	\$ 44,785	\$ 44,785
Additions:					
Net Customer Activity	346	543			
Sub-total	\$ 346	\$ 543	\$ -	\$ -	\$ -
Withdrawals:					
Net Customer Activity					
Ending Balance	\$ 44,785	\$ 44,785	\$ 44,785	\$ 44,785	\$ 44,785

Historical Activity

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Opening Balance	\$ 42,688	\$ 42,389	\$ 41,084	\$ 42,105	\$ 44,242
Additions:					
Net Customer Activity			1,021	2,137	543
Sub-total	\$ -	\$ -	\$ 1,021	\$ 2,137	\$ 543
Withdrawals:					
Net Customer Activity	299	1,305			
Sub-total	\$ 299	\$ 1,305	\$ -	\$ -	\$ -
Ending balance	\$ 42,389	\$ 41,084	\$ 42,105	\$ 44,242	\$ 44,785



Maximum Balance:	44,785	Average Balance:	42,798
Minimum Balance:	41,084		

Observations

Electric System Debt Service Sinking Fund

For the Fourth Quarter Ending September 30, 2019

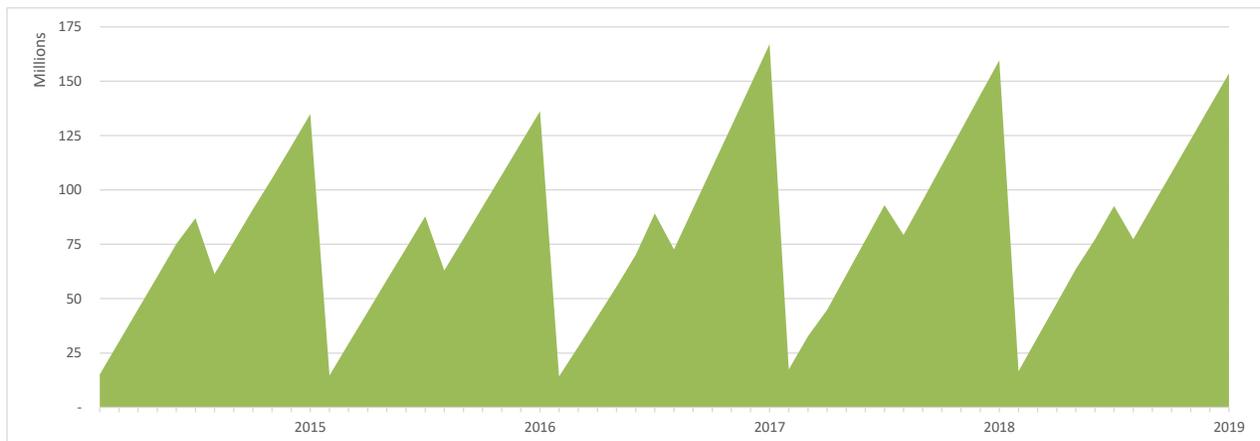
Definitions and Goals

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)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	2020	2021	2022
Opening Balance	\$ 102,281	\$ 159,656	\$ 145,520	\$ 86,445	\$ 83,914
Additions:					
Revenue Fund Deposits	45,783	186,135	119,995	123,603	112,157
Sub-total	<u>\$ 45,783</u>	<u>\$ 186,135</u>	<u>\$ 119,995</u>	<u>\$ 123,603</u>	<u>\$ 112,157</u>
Withdrawals:					
Principal and Int Payments	2,544	200,271	179,070	126,134	127,323
Ending Balance	<u>\$ 145,520</u>	<u>\$ 145,520</u>	<u>\$ 86,445</u>	<u>\$ 83,914</u>	<u>\$ 68,748</u>

Historical Activity

	2015	2016	2017	2018	2019
Opening Balance	\$ 120,458	\$ 134,927	\$ 136,232	\$ 167,087	\$ 159,656
Additions:					
Revenue Fund Deposits	181,006	177,847	209,450	201,359	186,135
Sub-total	<u>\$ 181,006</u>	<u>\$ 177,847</u>	<u>\$ 209,450</u>	<u>\$ 201,359</u>	<u>\$ 186,135</u>
Withdrawals:					
Principal and Int Payments	166,537	176,542	178,595	208,790	200,271
Sub-total	<u>\$ 166,537</u>	<u>\$ 176,542</u>	<u>\$ 178,595</u>	<u>\$ 208,790</u>	<u>\$ 200,271</u>
Ending balance	<u>\$ 134,927</u>	<u>\$ 136,232</u>	<u>\$ 167,087</u>	<u>\$ 159,656</u>	<u>\$ 145,520</u>



Maximum Balance: 167,087
Minimum Balance: 14,241

Average Balance: 81,512

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).
- Projections are based on the debt outstanding as of December 31, 2018.

Electric System Debt Service Reserve Account

For the Fourth Quarter Ending September 30, 2019

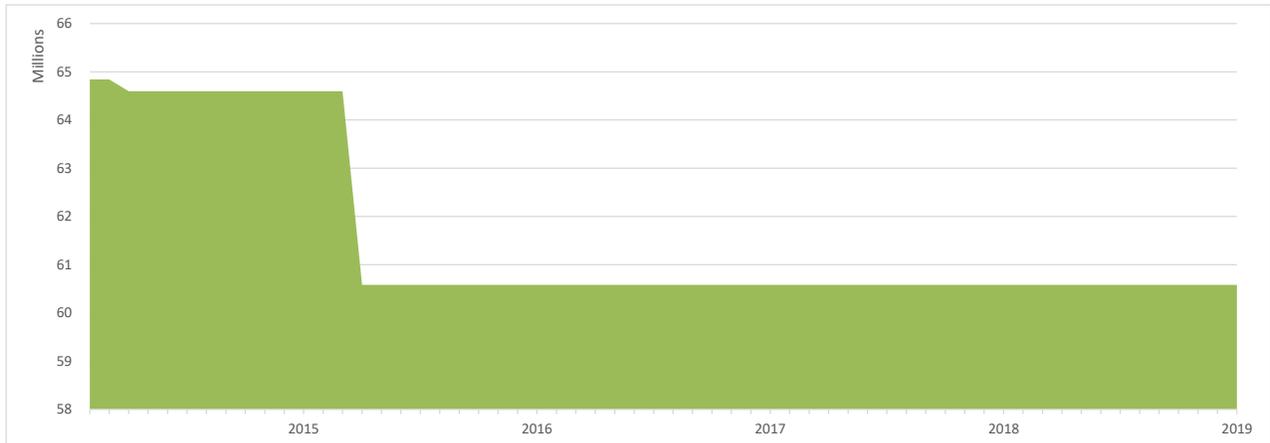
Definitions and Goals

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)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	2020	2021	2022
Opening Balance	\$ 60,582	\$ 60,582	\$ 60,582	\$ 53,949	\$ 53,949
Additions:					
Proceeds from Bonds					
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals:					
Release to Revenue Fund					
Release for STAR Plan Defeasance			6,633		
Ending Balance	<u>\$ 60,582</u>	<u>\$ 60,582</u>	<u>\$ 53,949</u>	<u>\$ 53,949</u>	<u>\$ 53,949</u>

Historical Activity

	2015	2016	2017	2018	2019
Opening Balance	\$ 64,841	\$ 64,595	\$ 60,582	\$ 60,582	\$ 60,582
Additions:					
Proceeds from Bonds					
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals:					
Release to Revenue Fund	246	4,013			
Sub-total	\$ 246	\$ 4,013	\$ -	\$ -	\$ -
Ending balance	<u>\$ 64,595</u>	<u>\$ 60,582</u>	<u>\$ 60,582</u>	<u>\$ 60,582</u>	<u>\$ 60,582</u>



Maximum Balance:	64,841	Average Balance:	61,527
Minimum Balance:	60,582		

Observations

- This report does not include any Scherer debt service reserves.

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

For the Fourth Quarter Ending September 30, 2019

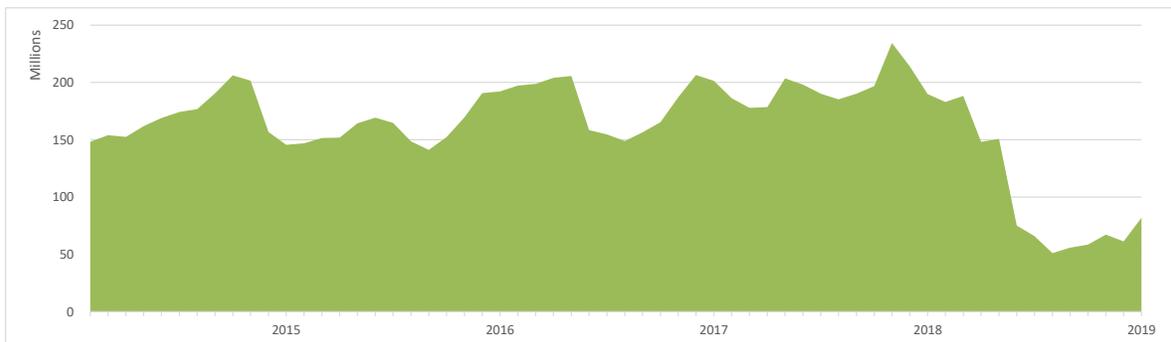
Definitions and Goals

Pursuant to the 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. In addition, as a portion of the base rate, JEA will recover from current revenue a formula driven amount for capital expenditures known 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.

	Current Activity		Projected Activity		
(In Thousands)	Quarter-End	Year -to-Date	2020	2021	2022
Opening Balance	\$ 58,496	\$ 189,922	\$ 81,964	\$ 120,382	\$ 124,801
Additions:					
R&R/OCO Contribution	69,286	197,623	250,259	199,553	125,016
Transfers Loans betw Capital Fds					
Other	21,287	39,521	14,025	7,705	7,705
Sub-total	<u>\$ 90,573</u>	<u>\$ 237,144</u>	<u>\$ 264,284</u>	<u>\$ 207,258</u>	<u>\$ 132,721</u>
Withdrawals:					
Capital Expenditures	67,045	275,042	207,229	202,839	178,403
Transfers betw Capital Fds					
Debt Defeasance		70,000	18,637		
Other	60	60			
Sub-total	<u>\$ 67,105</u>	<u>\$ 345,102</u>	<u>\$ 225,866</u>	<u>\$ 202,839</u>	<u>\$ 178,403</u>
Ending Balance	<u>\$ 81,964</u>	<u>\$ 81,964</u>	<u>\$ 120,382</u>	<u>\$ 124,801</u>	<u>\$ 79,119</u>

Historical Activity

	2015	2016	2017	2018	2019
Opening Balance	\$ 146,910	\$ 145,711	\$ 192,179	\$ 201,368	\$ 189,922
Additions:					
R&R/OCO Contribution	110,351	200,692	196,589	148,105	197,623
Loans betw Capital Fds					
Other	970	3,744	5,074	35,675	39,521
Sub-total	<u>\$ 111,321</u>	<u>\$ 204,436</u>	<u>\$ 201,663</u>	<u>\$ 183,780</u>	<u>\$ 237,144</u>
Withdrawals:					
Capital Expenditures	112,483	157,201	113,987	181,263	275,042
Transfers/loans b/w Capital Fds	37	765	37,200		
Debt Defeasance					70,000
Other		2	41,287	13,963	60
Sub-total	<u>\$ 112,520</u>	<u>\$ 157,968</u>	<u>\$ 192,474</u>	<u>\$ 195,226</u>	<u>\$ 345,102</u>
Ending balance	<u>\$ 145,711</u>	<u>\$ 192,179</u>	<u>\$ 201,368</u>	<u>\$ 189,922</u>	<u>\$ 81,964</u>



Maximum Balance: 234,504 Average Balance: 161,656
 Minimum Balance: 51,172

Observations

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

Electric System Construction / Bond Fund

For the Fourth Quarter Ending September 30, 2019

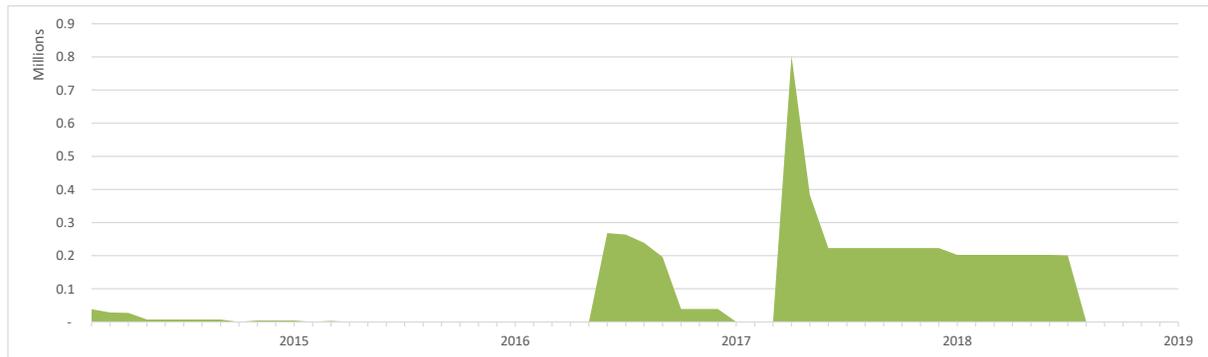
Definitions and Goals

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)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	<u>2020</u>	<u>2021</u>	<u>2022</u>
Opening Balance	\$ -	\$ 203	\$ -	\$ -	\$ -
Additions:					
Bond Proceeds					
Loans betw Capital Fds					
Other					
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals:					
Transfers betw Capital Fds		201			
Other		2			
Sub-total	\$ -	\$ 203	\$ -	\$ -	\$ -
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -

Historical Activity

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Opening Balance	\$ 42	\$ 4	\$ -	\$ -	\$ 203
Additions:					
Bond Proceeds			429	805	
Loans betw Capital Fds					
Other	37	2			
Sub-total	\$ 37	\$ 2	\$ 429	\$ 805	\$ -
Withdrawals:					
Capital Expenditures	75	6			
Transfers/loans b/w Capital Fds					201
Other			429	602	2
Sub-total	\$ 75	\$ 6	\$ 429	\$ 602	\$ 203
Ending balance	\$ 4	\$ -	\$ -	\$ 203	\$ -



Maximum Balance: 803 Average Balance: 90
 Minimum Balance: -

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.

Water and Sewer System Rate Stabilization - Debt Management

For the Fourth Quarter Ending September 30, 2019

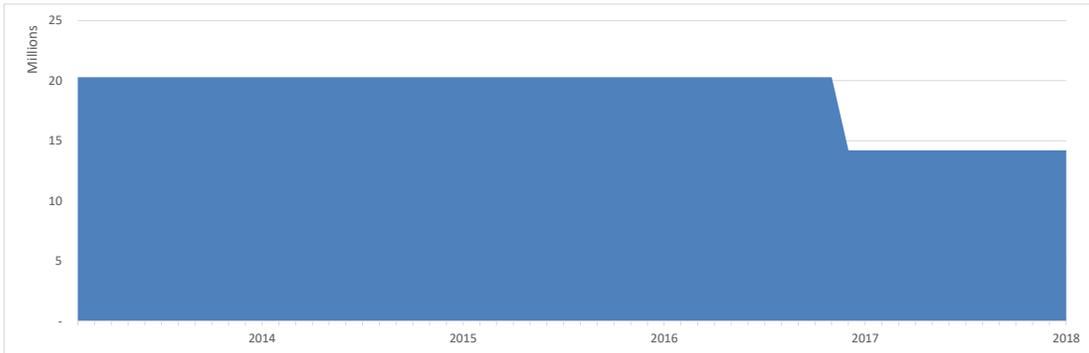
Definitions and Goals

The Water & Sewer System Bond Resolution authorizes the establishment of a Rate Stabilization Fund ("RSF") 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 RSF 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.

(In Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	2020	2021	2022
Opening Balance	\$ 14,209	\$ 14,209	\$ 14,209	\$ -	\$ -
Additions:					
Contributions					
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals:					
Withdrawals			14,209		
Sub-total	\$ -	\$ -	\$ 14,209	\$ -	\$ -
Ending Balance	\$ 14,209	\$ 14,209	\$ -	\$ -	\$ -

Historical Activity

	2014	2015	2016	2017	2018
Opening Balance	\$ 20,290	\$ 20,290	\$ 20,290	\$ 20,290	\$ 14,209
Additions:					
Contributions					
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals:					
Withdrawals				6,081	
Sub-total	\$ -	\$ -	\$ -	\$ 6,081	\$ -
Ending balance	\$ 20,290	\$ 20,290	\$ 20,290	\$ 14,209	\$ 14,209



Maximum Balance:	20,290	Average Balance:	18,871
Minimum Balance:	14,209		

Observations

- Contributions began in June 2009.

Water & Sewer System Rate Stabilization - Environmental

For the Fourth Quarter Ending September 30, 2019

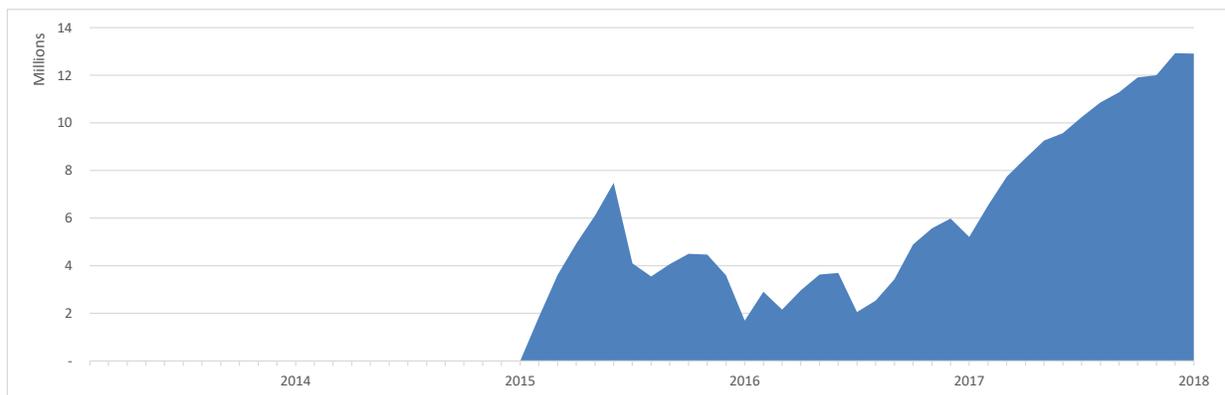
Definitions and Goals

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.

	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	2020	2021	2022
<i>(In Thousands)</i>					
Opening Balance	\$ 15,662	\$ 12,914	\$ 15,687	\$ 15,687	\$ 0
Additions:					
Contributions	6,789	25,099	27,040	27,737	44,626
Sub-total	\$ 6,789	\$ 25,099	\$ 27,040	\$ 27,737	\$ 44,626
Withdrawals:					
Withdrawals	6,764	22,326	27,040	43,424	44,626
COJ Septic Tank Agreement		-	-		
Sub-total	\$ 6,764	\$ 22,326	\$ 27,040	\$ 43,424	\$ 44,626
Ending Balance	\$ 15,687	\$ 15,687	\$ 15,687	\$ 0	\$ 0

Historical Activity

	2014	2015	2016	2017	2018
Opening Balance	\$ -	\$ -	\$ -	\$ 1,699	\$ 5,214
Additions:					
Contributions			23,635	24,362	23,829
Sub-total	\$ -	\$ -	\$ 23,635	\$ 24,362	\$ 23,829
Withdrawals:					
Withdrawals			21,936	20,847	16,129
Sub-total	\$ -	\$ -	\$ 21,936	\$ 20,847	\$ 16,129
Ending balance	\$ -	\$ -	\$ 1,699	\$ 5,214	\$ 12,914



Maximum Balance: 12,930
Minimum Balance: 1,699

Average Balance: 6,079

Observations

- Rate Stabilization Fund for Environmental began in June 2010.

Water and Sewer System Customer Deposits

For the Fourth Quarter Ending September 30, 2019

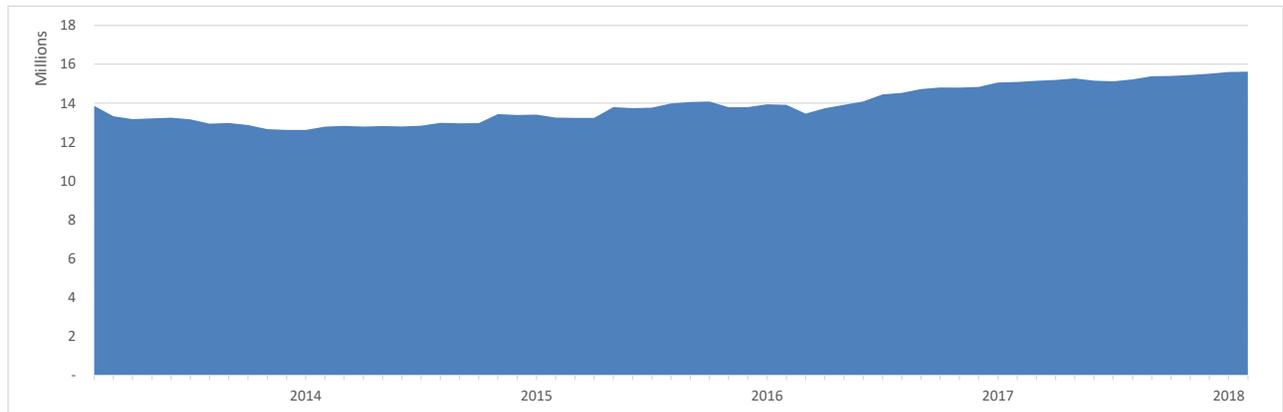
Definitions and Goals

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

(In Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	2020	2021	2022
Opening Balance	\$ 16,006	\$ 15,616	\$ 16,289	\$ 16,289	\$ 16,289
Additions:					
Allocated from Electric	283	673			
Sub-total	\$ 283	\$ 673	\$ -	\$ -	\$ -
Withdrawals:					
Allocated from Electric					
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ 16,289	\$ 16,289	\$ 16,289	\$ 16,289	\$ 16,289

Historical Activity

	2014	2015	2016	2017	2018
Opening Balance	\$ 13,860	\$ 12,787	\$ 13,255	\$ 13,910	\$ 15,086
Additions:					
Allocated from Electric		468	655	1,176	530
Sub-total	\$ -	\$ 468	\$ 655	\$ 1,176	\$ 530
Withdrawals:					
Allocated from Electric	1,073				
Sub-total	\$ 1,073	\$ -	\$ -	\$ -	\$ -
Ending balance	\$ 12,787	\$ 13,255	\$ 13,910	\$ 15,086	\$ 15,616



Maximum Balance: 15,616
Minimum Balance: 12,619

Average Balance: 13,915

Observations

Water and Sewer System Debt Service Sinking Fund

For the Fourth Quarter Ending September 30, 2019

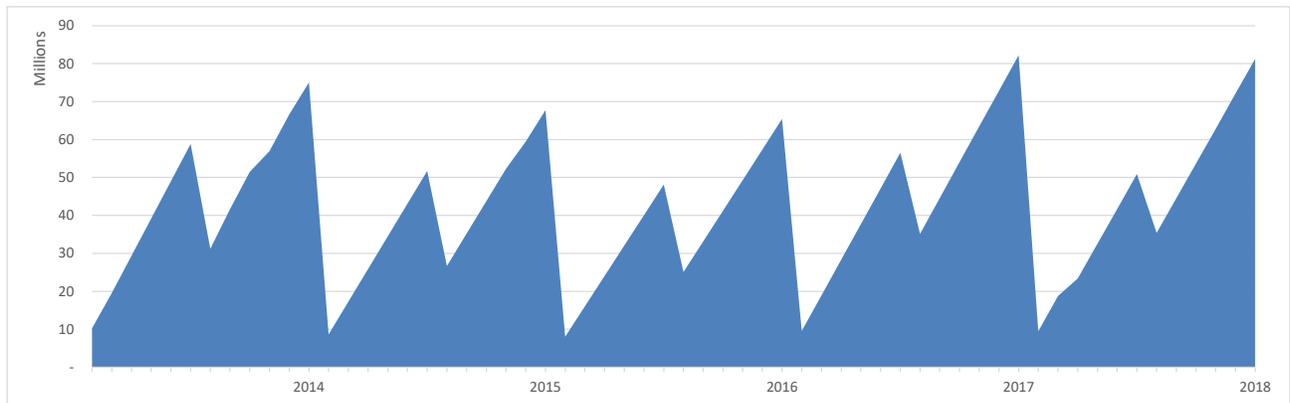
Definitions and Goals

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)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	<u>2020</u>	<u>2021</u>	<u>2022</u>
Opening Balance	\$ 54,255	\$ 81,241	\$ 80,775	\$ 44,022	\$ 33,409
Additions:					
Revenue fund deposits	27,476	112,251	71,135	63,837	66,137
Sub-total	<u>\$ 27,476</u>	<u>\$ 112,251</u>	<u>\$ 71,135</u>	<u>\$ 63,837</u>	<u>\$ 66,137</u>
Withdrawals:					
Principal and interest payments	956	112,717	107,888	74,450	65,619
Sub-total	<u>\$ 956</u>	<u>\$ 112,717</u>	<u>\$ 107,888</u>	<u>\$ 74,450</u>	<u>\$ 65,619</u>
Ending Balance	<u>\$ 80,775</u>	<u>\$ 80,775</u>	<u>\$ 44,022</u>	<u>\$ 33,409</u>	<u>\$ 33,927</u>

Historical Activity

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Opening Balance	\$ 80,317	\$ 75,019	\$ 67,720	\$ 65,410	\$ 82,208
Additions:					
Revenue fund deposits	117,444	102,789	97,077	114,873	113,636
Sub-total	<u>\$ 117,444</u>	<u>\$ 102,789</u>	<u>\$ 97,077</u>	<u>\$ 114,873</u>	<u>\$ 113,636</u>
Withdrawals:					
Principal and interest payments	122,742	110,088	99,387	98,075	114,603
Sub-total	<u>\$ 122,742</u>	<u>\$ 110,088</u>	<u>\$ 99,387</u>	<u>\$ 98,075</u>	<u>\$ 114,603</u>
Ending balance	<u>\$ 75,019</u>	<u>\$ 67,720</u>	<u>\$ 65,410</u>	<u>\$ 82,208</u>	<u>\$ 81,241</u>



Maximum Balance:	82,208	Average Balance:	41,856
Minimum Balance:	8,019		

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).
- Projections are based on the debt outstanding as of December 31, 2018.

Water and Sewer System Debt Service Reserve Account

For the Fourth Quarter Ending September 30, 2019

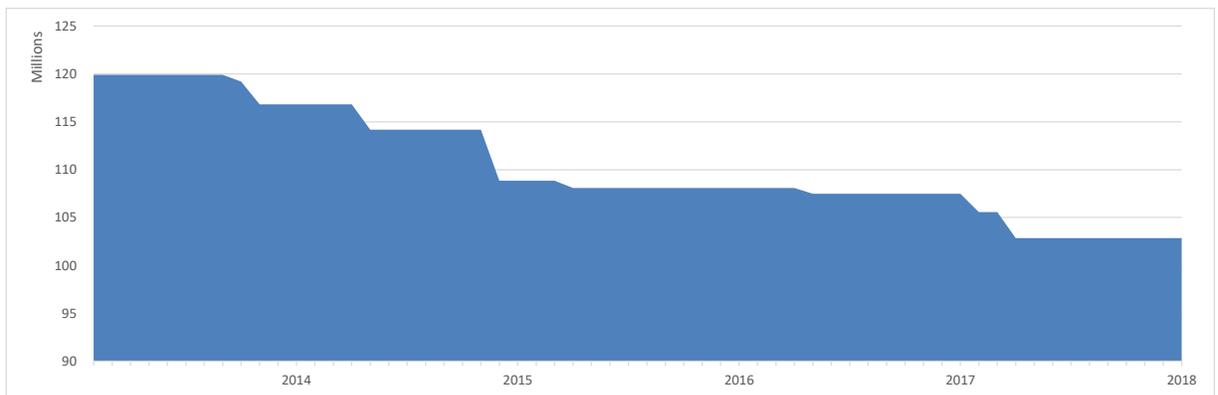
Definitions and Goals

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)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	<u>2020</u>	<u>2021</u>	<u>2022</u>
Opening Balance	\$ 63,442	\$ 102,850	\$ 63,441	\$ 59,323	\$ 59,323
Additions:					
Construction reserves/bond issues					
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals:					
Revenue fund		5,525	1,327		
Release for STAR Plan Defeasance			2,791		
Construction fund		33,884			
Sub-total	\$ -	\$ 39,409	\$ 4,118	\$ -	\$ -
Ending Balance	<u>\$ 63,442</u>	<u>\$ 63,441</u>	<u>\$ 59,323</u>	<u>\$ 59,323</u>	<u>\$ 59,323</u>

Historical Activity

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Opening Balance	\$ 119,915	\$ 116,829	\$ 108,849	\$ 108,086	\$ 107,488
Additions:					
Construction reserves/bond issues					
Revenue fund					
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals:					
Revenue fund	3,086	7,980	763	598	4,638
Sub-total	\$ 3,086	\$ 7,980	\$ 763	\$ 598	\$ 4,638
Ending balance	<u>\$ 116,829</u>	<u>\$ 108,849</u>	<u>\$ 108,086</u>	<u>\$ 107,488</u>	<u>\$ 102,850</u>



Maximum Balance:	119,915	Average Balance:	110,439
Minimum Balance:	102,850		

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.
- 2018 Bond Resolution amendment will allow the use of \$33 million AA+ rated Berkshire Hathaway Assurance surety policy to be included in Debt Service Reserve Fund funding calculation which allowed the release of \$33.8 million to the Construction Fund.

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

For the Fourth Quarter Ending September 30, 2019

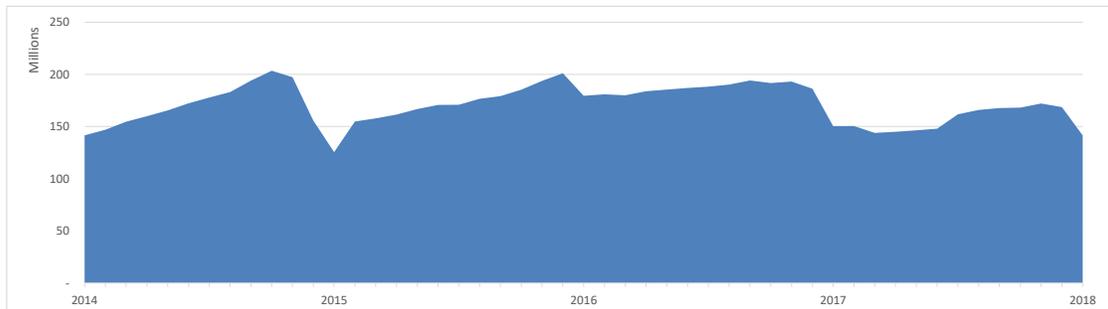
Definitions and Goals

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. 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 Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	2020	2021	2022
Opening Balance	\$ 56,284	\$ 141,415	\$ 48,796	\$ 13,687	\$ 1,885
Additions:					
R&R/OCO Contribution	41,971	150,171	165,643	165,074	164,279
Capacity Fees	8,305	29,389	27,602	27,048	26,507
Transfer from Capital Fds		268	-		
Other	11,199	16,390	10,725	9,051	9,051
Sub-total	<u>\$ 61,475</u>	<u>\$ 196,218</u>	<u>\$ 203,970</u>	<u>\$ 201,173</u>	<u>\$ 199,837</u>
Withdrawals:					
Capital Expenditures	68,963	189,626	208,768	212,975	199,837
Debt Defeasance		99,189	30,311		
Other		22	-	-	-
Sub-total	<u>\$ 68,963</u>	<u>\$ 288,837</u>	<u>\$ 239,079</u>	<u>\$ 212,975</u>	<u>\$ 199,837</u>
Ending Balance	<u>\$ 48,796</u>	<u>\$ 48,796</u>	<u>\$ 13,687</u>	<u>\$ 1,885</u>	<u>\$ 1,885</u>

Historical Activity

	2014	2015	2016	2017	2018
Opening Balance	\$ 139,049	\$ 136,182	\$ 128,249	\$ 179,431	\$ 150,319
Additions:					
R&R/OCO Contribution	48,373	62,793	124,574	108,119	153,372
Capacity Fees	18,298	19,579	21,995	24,777	28,002
Loans betw Capital Fds		22		137	
Other (incl septic tank)	1,614	904	31,041	8,050	6,383
Sub-total	<u>\$ 68,285</u>	<u>\$ 83,298</u>	<u>\$ 177,610</u>	<u>\$ 141,083</u>	<u>\$ 187,757</u>
Withdrawals:					
Capital Expenditures	69,246	91,231	126,322	165,242	196,637
Loan Repayment		-			
Transfer to Constr. Fund	1,893		106		
Other (incl septic tank)	13	-	-	4,953	24
Sub-total	<u>\$ 71,152</u>	<u>\$ 91,231</u>	<u>\$ 126,428</u>	<u>\$ 170,195</u>	<u>\$ 196,661</u>
Ending balance	<u>\$ 136,182</u>	<u>\$ 128,249</u>	<u>\$ 179,431</u>	<u>\$ 150,319</u>	<u>\$ 141,415</u>



Maximum Balance: 203,406
Minimum Balance: 125,438

Average Balance: 167,667

Observations

- Other includes the Septic Tank Phase-out project, Sale of Property, and the transfer of RSF - Environmental in FY 2016 - 2019.

Water and Sewer System - Environmental Fund [Capital Projects]

For the Fourth Quarter Ending September 30, 2019

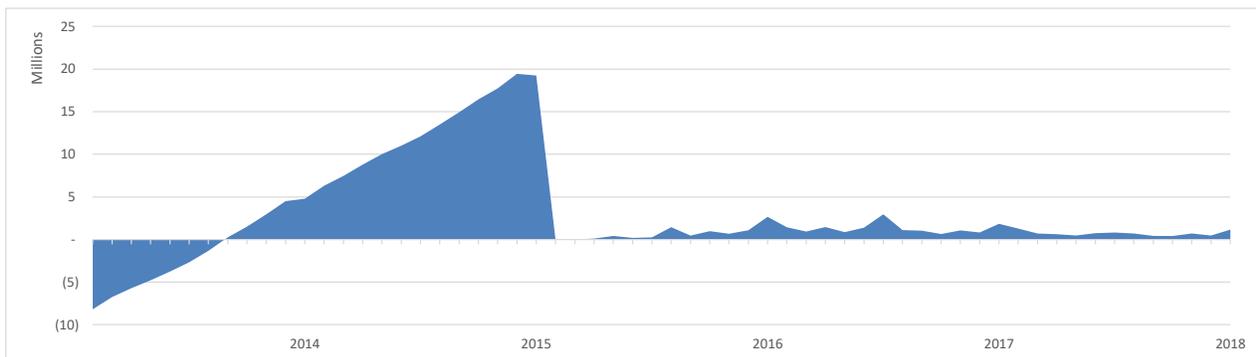
Definitions and Goals

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)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	2020	2021	2022
Opening Balance	\$ 426	\$ 1,159	\$ 1,891	\$ 1,000	\$ 1,000
Additions:					
Environmental Contributions	3,304	10,656	13,670	26,242	26,868
Loans betw Capital Fds					
Other					
Sub-total	\$ 3,304	\$ 10,656	\$ 13,670	\$ 26,242	\$ 26,868
Withdrawals:					
Capital Expenditures	1,839	9,924	14,561	26,242	26,868
Other					
Sub-total	\$ 1,839	\$ 9,924	\$ 14,561	\$ 26,242	\$ 26,868
Ending Balance	\$ 1,891	\$ 1,891	\$ 1,000	\$ 1,000	\$ 1,000

Historical Activity

	2014	2015	2016	2017	2018
Opening Balance	\$ (9,857)	\$ 5,299	\$ -	\$ 2,659	\$ 1,839
Additions:					
Environmental Contributions	21,018	22,056	15,539	12,394	6,691
Loans betw Capital Fds					
Other					
Sub-total	\$ 21,018	\$ 22,056	\$ 15,539	\$ 12,394	\$ 6,691
Withdrawals:					
Capital Expenditures	5,862	7,318	12,880	13,214	7,370
Septic Tank Phase Out		203			
Other		19,834			1
Sub-total	\$ 5,862	\$ 27,355	\$ 12,880	\$ 13,214	\$ 7,371
Ending balance	\$ 5,299	\$ -	\$ 2,659	\$ 1,839	\$ 1,159



Maximum Balance: 19,439
Minimum Balance: (8,192)

Average Balance: 2,832

Observations

Water and Sewer System - Construction / Bond Fund

For the Fourth Quarter Ending September 30, 2019

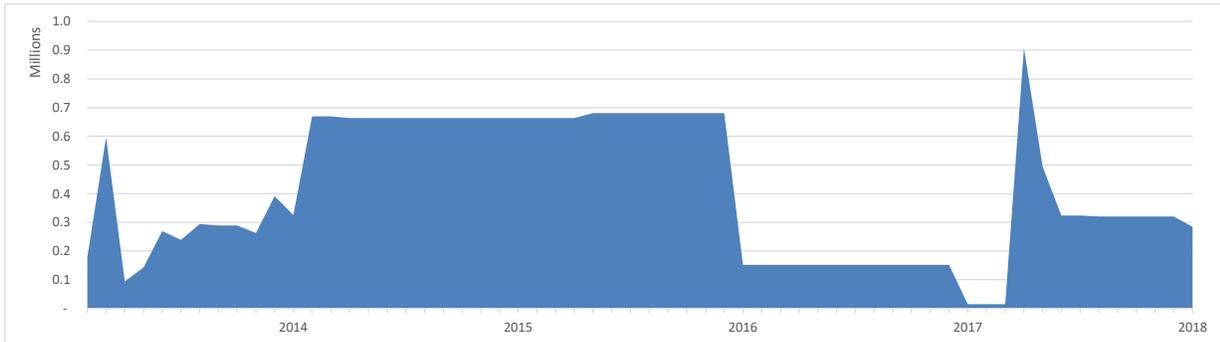
Definitions and Goals

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)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	<u>2020</u>	<u>2021</u>	<u>2022</u>
Opening Balance	\$ 28,983	\$ 284	\$ 28,968	\$ 13,968	\$ -
Additions:					
Bond Proceeds		33,884	-	23,679	25,197
Line of Credit					
Other					
Sub-total	\$ -	\$ 33,884	\$ -	\$ 23,679	\$ 25,197
Withdrawals:					
Capital Expenditures / Bond Issue Costs	15	4,930	15,000	37,647	25,197
Other		270			
Ending Balance	\$ 28,968	\$ 28,968	\$ 13,968	\$ -	\$ -

Historical Activity

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Opening Balance	\$ 2,305	\$ 326	\$ 664	\$ 152	\$ 15
Additions:					
Bond Proceeds	-				894
Line of Credit	-				
Loans/transfers b/w Capital Fds	1,893				
Other	476	344	17		
Sub-total	\$ 2,369	\$ 344	\$ 17	\$ -	\$ 894
Withdrawals:					
Capital Expenditures	3,784	6			623
Bond Proceeds	48				
Loans/trnsf btw CapFds	516				
Other			529	137	2
Sub-total	\$ 4,348	\$ 6	\$ 529	\$ 137	\$ 625
Ending balance	\$ 326	\$ 664	\$ 152	\$ 15	\$ 284



Maximum Balance:	907	Average Balance:	410
Minimum Balance:	15		

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.



INTER-OFFICE MEMORANDUM

November 18, 2019

SUBJECT: STAR PLAN EARLY DEBT RETIREMENT PHASE 2 UPDATE

FROM: Aaron F. Zahn, Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair
April Green
Henry Brown

BACKGROUND:

As part of JEA's ongoing debt management program, when desiring to retire debt early, JEA has historically utilized various sources of funds for defeasing debt, calling bonds for early redemption or purchasing bonds on the secondary market. Typically, an escrow is used when calling bonds or defeasing debt prior to maturity.

On June 15, 2004, the Board approved a defeasance agenda item that delegated to the Managing Director & CEO, the Vice President & COO and the Vice President Financial Services the authority, in regard to a specific defeasance transaction in 2004 and future defeasance transactions for the Water and Sewer System and the Electric System. At its May 21, 2013 meeting, the Board broadened the 2004 authorization to i) expand the Systems to include St. Johns River Power Park System ("SJRPP System"), the Bulk Power Supply System and District Energy System, ii) clarify that early debt retirement is defined as defeasing debt, calling bonds for early redemption and purchasing bonds on the secondary market and iii) delegate to the Managing Director & CEO and the Chief Financial Officer the authority to approve and execute all related actions necessary for the early retirement of debt for the Electric System, SJRPP System, Bulk Power Supply System, Water and Sewer System and District Energy System, subject to the Annual Budget and related Budget Ordinance.

At that meeting, staff indicated it would provide the Board, at least annually, an Early Debt Retirement Schedule showing completed transactions for the fiscal year beginning with fiscal year 2013. The Schedule will not be provided in any year where no transactions occurred. Consistent with the May 21, 2013 agenda item, this agenda item and attached Schedule provide a summary of early debt retirements completed consistent with the Strategic & Timely Asset Realignment ("STAR") Plan Early Debt Retirement Phase 2, approved by the Board on December 11, 2018.

DISCUSSION:

On October 11, 2019, staff utilized Electric System Debt Management Rate Stabilization Funds, Renewal and Replacement Funds and Debt Service Reserve Funds to defease \$48,070,000 in Subordinated Electric System bonds and Water and Sewer System Debt Management Rate Stabilization Funds, Renewal and Replacement Funds and Debt Service Reserve Funds to

debase \$28,785,000 in Water and Sewer System bonds and \$16,640,000 in Subordinated Water and Sewer System bonds for combined early debt retirements totaling \$93,495,000.

RECOMMENDATION:

No action by the Board is required: This item is submitted for information only as part of staff's responsibility to periodically report early debt retirement activities to the Board.

Aaron F. Zahn, Managing Director/CEO

AFZ/RFW/JEO/CTC

STAR Plan Early Debt Retirement Phase 2

System	Lien	Par	Primary Purpose	Impacts	Source of Funds
Electric	Sub	\$48,070,000	Debt Reduction	Lower future debt service, lower unrestricted & restricted cash	Debt Mgmt Rate Stabilization Funds, Renewal & Replacement Funds and Debt Service Reserve Funds
W&S	Senior/Sub	\$45,425,000	Debt Reduction	Lower future debt service & lower restricted cash	Debt Mgmt Rate Stabilization Funds, Renewal & Replacement Funds and Debt Service Reserve Funds
	Total	\$93,495,000			





INTER-OFFICE MEMORANDUM

November 6, 2019

SUBJECT: JEA INVESTMENT POLICY REVISION

FROM: Aaron F. Zahn, Managing Director and CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair
Henry Brown
April Green

BACKGROUND:

Section 218.415 of the Florida Statutes requires that investment activity by a unit of local government be consistent with a written policy adopted by the governing body of such unit of local government. In September 1995, the JEA Board approved an Investment Policy that satisfied this statutory requirement. Since that time, on several occasions the JEA Board has amended the JEA Investment Policy to take into account revisions to the statute, changes to JEA system bond resolutions, and to incorporate current industry practices. The most recent revisions to the Policy were approved by the JEA Board at the October 2019 Board meeting.

DISCUSSION:

Section 5.0 of the JEA Investment Policy, Authorized Investments, refers to Exhibits I through V for a complete listing of Authorized Investments. Further, Table 1 lists the percentage limitations for the various investment types held in the investment portfolio. The eligible investments are based primarily on the investments allowed per each system's bond resolution.

Staff is proposing to modify the list of Authorized Investments to eliminate the percentage limitation for cash held in the bank on 3/31 and 9/30 of each fiscal year. Cash balances are unusually high on those dates in order to have funds readily available to meet the 4/1 and 10/1 debt service payments.

RECOMMENDATION:

Staff recommends that the Finance and Audit Committee and the Board approve the attached revision to Table 1 of the Investment Policy.

Aaron F. Zahn, Managing Director and CEO

AFZ/RFW/JEO/TPD

Table 1 – JEA Investment Limitations

Option	Allowable Range (% of total investments and/or \$ amount)	Comments
Bank NOW Account	Up to 25%, except for 3/31 and 9/30 at which time the limit is 30%	Federal or state insured financial institutions designated as Qualified Public Depositories by the State of Florida
Triparty Repo	Up to 15% with any one dealer; up to 25% in aggregate	102% collateral. Collateral can include Treasuries and/or Agencies and is held by a 3 rd party custodian. Dealers rated AA by two rating agencies.
U.S. Treasuries or Treasury-only Money Market Funds	Up to 100%	Fund must be rated AAA or Aaa and registered with SEC.
U.S. Agencies (Fannie Mae, Federal Home Loan Bank, Freddie Mac, etc.)	Less than 35% in any one issuer and up to 75% in aggregate, including repo collateral	Electric/Water/DES: No ratings requirement Other Systems: AAA rated All Systems: Not backed by mortgage loans.
Commercial Paper	Up to 25% of portfolio; maximum of \$12.5 million in any one issuer	Must be in Fortune 500/Global 500, or governments of Canada or Canadian provinces (U.S. dollar-denominated); rated at least A-1/P-1 with stable or positive outlook
Municipal Bonds	Up to 30% Non-JEA Debt; 50% including JEA Debt	Non-JEA Debt must be rated AA by two rating agencies
Government Agency Money Market Mutual Funds	Up to 10% in any one fund; up to 25% in aggregate	AAA or Aaa rating required. Registered with SEC.
Intergovernmental Investment Pool	Up to 20%	Authorized by Florida statutes. Includes Florida Prime Fund and PFM's Florida Education Income Trust Fund.



INTER-OFFICE MEMORANDUM

November 12, 2019

SUBJECT: JEA ENERGY MARKET RISK MANAGEMENT POLICY REPORT

FROM: Aaron F. Zahn, Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair
April Green
Henry Brown

BACKGROUND:

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 one year or greater and all financial transactions.

DISCUSSION:

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

RECOMMENDATION:

None required. The report is required by the EMRM Policy and is provided as information.

Aaron F. Zahn, Managing Director/CEO

AFZ/CBA/WGB

Energy Market Risk Management: Physical and Financial Positions

Summary as of 11/1/2019		
Projected FY20 Fuel Expense (Budget = \$373M)	\$354M	☺
Projected FY20 Fuel Fund Ending Balance (Target = \$68M)	\$87M	☺
EMRM Compliance	Yes	☺
Counterparty Credit Limit Exceptions	No	☺
Any Issues of Concern	No	☺

Table 1: Physical Counterparties (Contracts One Year or Greater) as of 11/1/2019

Generating Unit	Fuel Type	Supplier/Counterparty	Contract Type	Remaining Contract Value	Remaining Contract Term
Scherer 4	Coal	CY19 Peabody Caballo -005	Fixed Price	\$617,976	2 months
Scherer 4	Coal	CY20 Blackjewel - Eagle Butte - 001	Fixed Price	\$3,018,716	12 months
Scherer 4	Coal	CY20 Peabody Caballo - 003	Fixed Price	\$750,800	12 months
Scherer 4	Coal	CY20 Buckskin - 006	Fixed Price	\$290,600	12 months
Scherer 4	Coal	CY21 Blackjewel - Eagle Butte - 002	Fixed Price	\$691,264	12 months
Scherer 4	Coal	CY21 Peabody Caballo - 003	Fixed Price	\$770,250	12 months
Scherer 4	Coal	CY21 Peabody Caballo - 004	Fixed Price	\$459,734	12 months
Scherer 4	Coal	CY21 Blackjewel - Eagle Butte - 005	Fixed Price	\$276,597	12 months
Scherer 4	Coal	CY22 Blackjewel - Eagle Butte - 001	Fixed Price	\$426,657	12 months
Scherer 4	Coal	CY22 Peabody Caballo - 002	Fixed Price	\$315,968	12 months
Scherer 4	Coal	CY22 Peabody Caballo - 004	Fixed Price	\$471,630	12 months
Scherer 4	Coal	CY22 Blackjewel - Eagle Butte - 005	Fixed Price	\$568,800	12 months
NS CFB	Limestone	CY17-CY21 Vulcan	Fixed Price	\$18,511,303	2.17 years
* NG Fleet	Natural Gas	Shell Energy	Index w/Fixed Price Option	\$690,678,613	11.58 years
NG Fleet	Natural Gas	Main Street/MGAG	Index w/Discount	\$130,604,319	29.41 years
NG Fleet	Natural Gas	Main Street/MGAG	Index w/Discount	\$122,935,784	29.58 years
NG Fleet	Natural Gas	Main Street/MGAG	Index w/Discount	\$77,309,925	19.41 years
NG Fleet	Natural Gas	Main Street/MGAG	Index w/Discount	\$118,771,211	29.66 years

* New this report

Table 2: Financial Positions as of 11/1/2019

Year	Commodity	Physical Volume (mmBtu)	Hedged Volume (mmBtu)	Percent Hedged	Unhedged Cost	Hedge Type	Hedge Price	Mark-to-Market Value	Counter Party
FY20	Natural Gas	45,339,129	20,130,000	44.4%	\$ 2.49	Swap	\$ 2.65	\$ 3,274,060	Wells Fargo & RBC
FY21	Natural Gas	50,965,929	23,720,000	46.5%	\$ 2.48	Swap	\$ 2.60	\$ 2,719,190	Wells Fargo & RBC
FY22	Natural Gas	45,463,533	23,720,000	52.2%	\$ 2.50	Swap	\$ 2.58	\$ 1,774,530	Wells Fargo & RBC
FY23	Natural Gas	43,641,115	5,520,000	12.6%	\$ 2.56	Swap	\$ 2.57	\$ 58,380	Wells Fargo & RBC

Table 3: Fuel & Purchase Power Procurement as of 11/1/2019

Fuel Type	Natural Gas	Coal	Petcoke	Limestone	Purchased Power	Oil/Diesel	Renewables	Vogle
FY20 Remaining / Energy Mix	54%	15%	23%	N/A	7%	0%	1%	-
Expected Spend (\$)	131.2M	49.1M	41.6M	9.1M	23.4M	3.4M	14.2M	-
% Procured	51%	46%	17%	100%	25%	100%	100%	-
% Hedged	44%	46%	5%	100%	3%	100%	100%	-
FY21 Budget / Energy Mix	53%	14%	21%	N/A	9%	0%	2%	-
Expected Spend (\$)	133.2M	51.2M	50.0M	9.0M	36.9M	2.1M	18.9M	-
% Procured	54%	41%	0%	100%	27%	100%	100%	-
% Hedged	46%	41%	0%	100%	3%	100%	100%	-
FY22 Projection / Energy Mix	48%	12%	20%	N/A	9%	0%	5%	5%
Expected Spend (\$)	118.5M	46.0M	47.7M	8.4M	37.2M	1.1M	28.1M	11.9M
% Procured	61%	38%	0%	18%	0%	100%	100%	100%
% Hedged	52%	38%	0%	18%	0%	100%	100%	100%

Supporting Notes:

- Renewable purchase power agreements are not included in Table 1
- Solid fuel procurement - annually at Scherer CY2019-2022 and quarterly at Northside
- Table 3: FY Energy Mix based on MWH; 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
- Renewables in Table 3 represent signed agreements and an estimated cost for pending contracts
- Table 1: Natural Gas discount; Municipal Gas Authority of Georgia (MGAG) issues municipal bonds to prepay for gas, allowing them to offer discounts to JEA for qualified use
- Scherer 4 coal supplier, Blackjewel - Eagle Butte, filed for chapter 11 bankruptcy, on Monday July 1. Contura Energy bought Blackjewel assets and plans to resume shipments under existing contracts in January.
- Shell Energy contract extension for 10 years approved by JEA Board on October 22, 2019 and executed on November 7, 2019.

