



**Deliver
BUSINESS
EXCELLENCE
FY2022 Draft Budget
Summary**

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Director, Financial Planning & Analysis



June 2021

Electric System Operating Budget Components

FY22 Budget

Fuel and Purchased Power
Reflects higher purchased power expenses

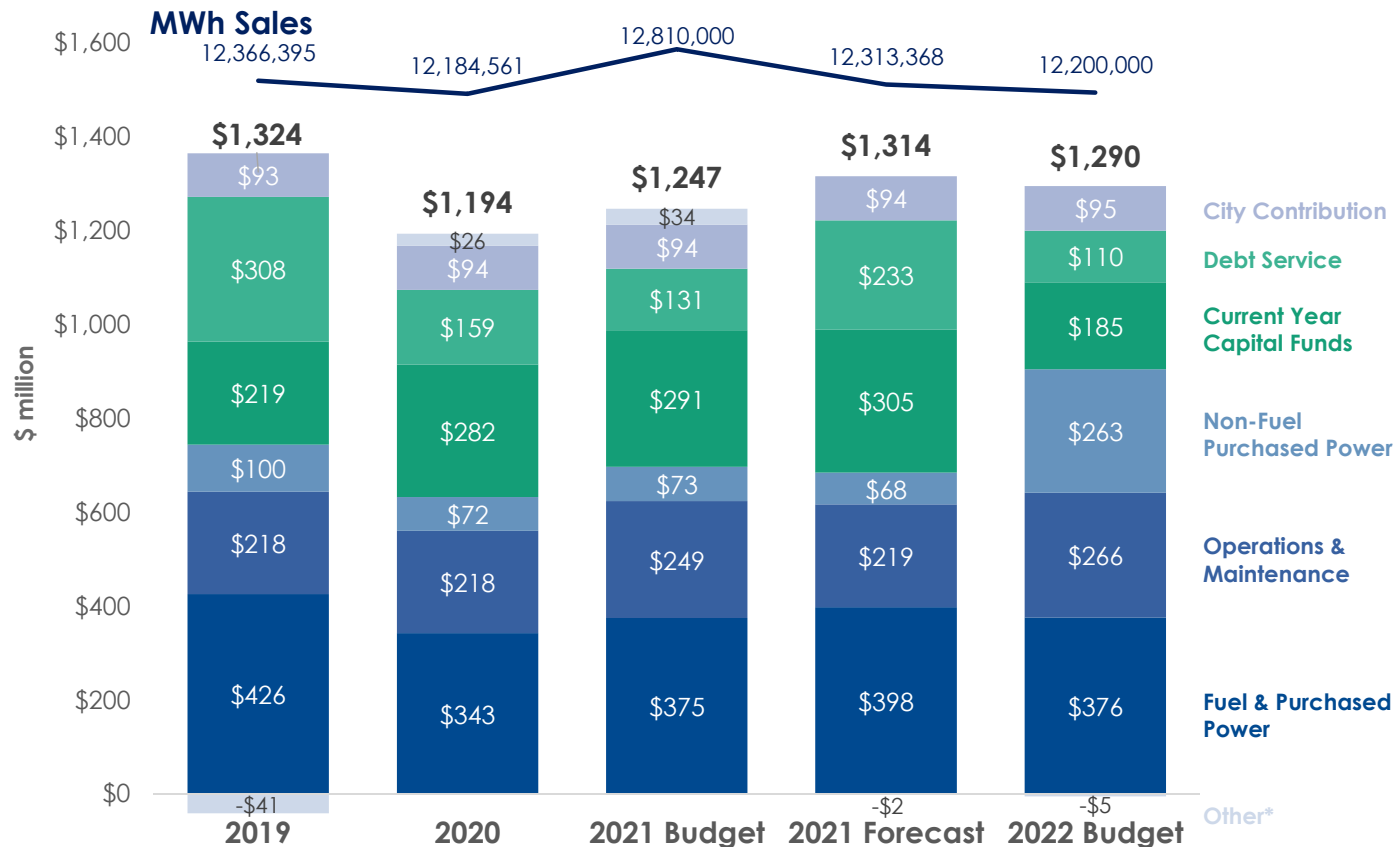
O&M
Includes COVID expenses, new headquarters lease payments, generating unit outages

Non-Fuel Purchased Power
Includes Scherer debt defeasance and MEAG PPA payments

Internal Capital Funds
Fully funds the FY22 capital program utilizing current and prior year revenues

Debt Service
Principal and interest projected to be lower than FY21

City Contribution
Based on city contribution agreement extended to 2023



Current Year Capital Funds	\$219	\$282	\$291	\$305	\$185
(To)/from Fund Balance	\$67	(\$88)	(\$73)	(\$118)	\$56
Capital Expenditures	\$286	\$194	\$218	\$187	\$241

*Other includes Base Uncollectibles, Emergency Reserve funding, use of rate stabilization funds, and PSC fees. Change in budget primarily due to a planned \$7.3 million stabilization withdrawal in FY22B compared to a \$36 million deposit in FY21B

Water and Sewer System Operating Budget Components

FY22 Budget

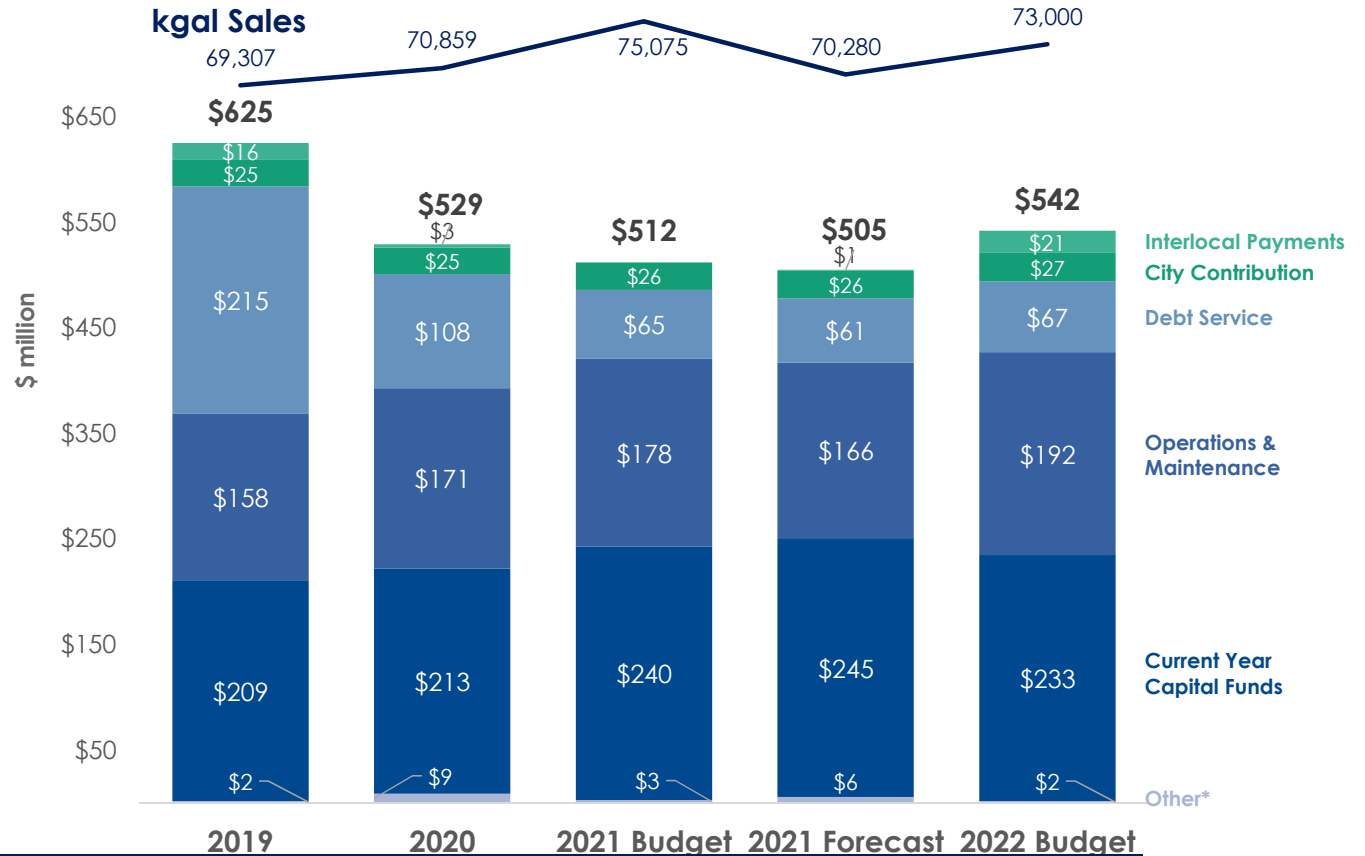
Internal Capital Funds
Funds two-thirds of the FY22 capital program

O&M
Includes salaries, benefits, materials, supplies, and funding other services and charges such as professional and industrial services

Debt Service
Projected to be slightly higher than FY21

City Contribution
Based on city contribution agreement extended to 2023

Interlocal Payments
Includes a prepayment to Nassau County in addition to annual payments to Clay County and St. Johns County, and Septic Tank Phase Out funding



	2019	2020	2021 Budget	2021 Forecast	2022 Budget
Current Year Capital Funds	\$209	\$213	\$240	\$245	\$233
(To)/from Fund Balance	\$4	(\$23)	\$88	(\$10)	\$129
Capital Expenditures	\$213	\$190	\$328	\$235	\$362

→ Debt Proceeds

*Other includes Uncollectibles and Emergency Reserve funding

Government Transfers via the JEA Bill

Paid to COJ:

- City Contribution
- Public Service Tax
- City Franchise Fee

Paid to State of Florida:

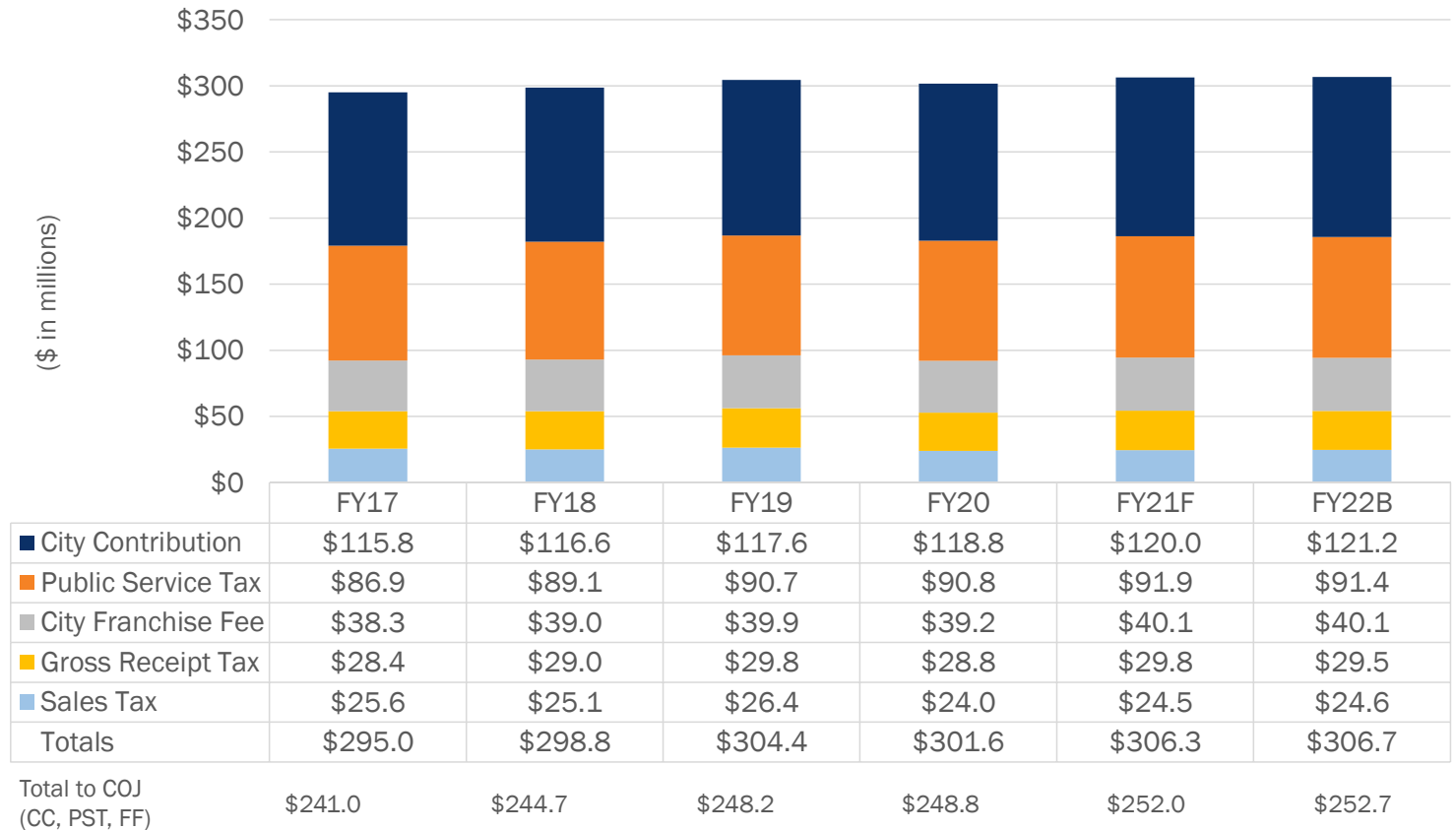
- Gross Receipt Tax

Paid to COJ & State:

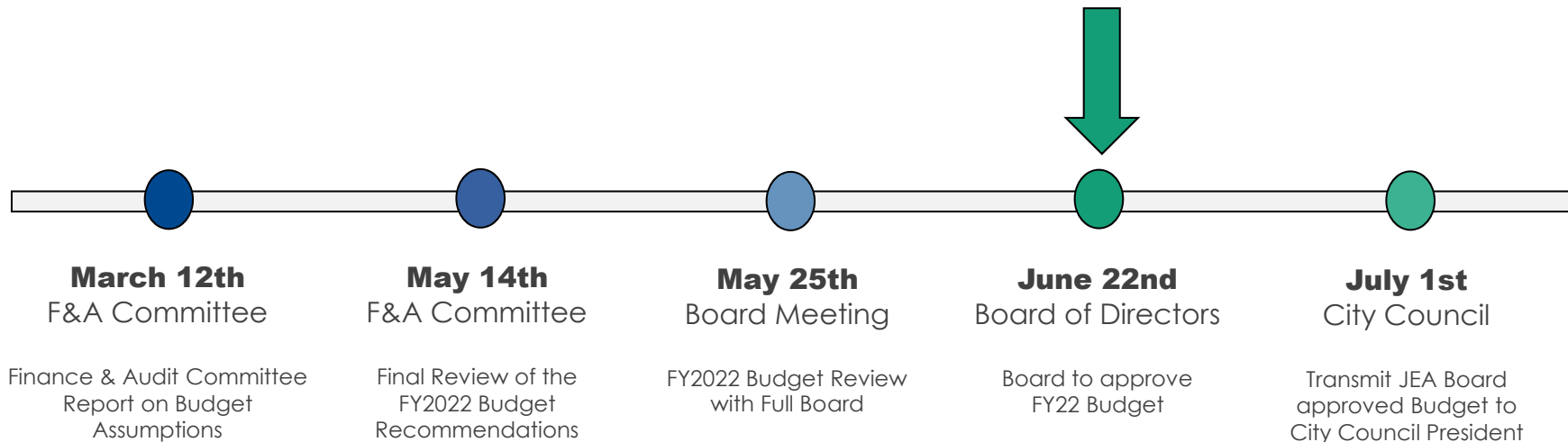
- Sales Tax

Continues to increase based upon the agreement to contribute the greater of 1% increase on the baseline or the millage calculation

The City Contribution Agreement has been extended through FY2023



FY2022 Board Review and Approval Timeline



Staff requests the Board:

- ▶ Approve the proposed operating and capital budgets for FY2022, authorize staff to transmit the recommended budgets to the Jacksonville City Council for final action by July 1, 2021 and transmit the Five-Year Capital Improvement Program as required by the Jacksonville City Planning Department
- ▶ Approve JEA's share of the SJRPP and Plant Scherer operating and capital budgets
- ▶ Authorize the Managing Director/CEO to adjust the budget approved by the Board of Directors and submitted to Council, if necessary, within the total approved budget amounts for each system





BOARD RESOLUTION: 2021-13

June 22, 2021

PROPOSED FY2022 OPERATING AND CAPITAL BUDGETS

Whereas annually, after the JEA Board's review and action, JEA staff recommends transmitting the Electric System, Water and Wastewater System, and District Energy System operating and capital budgets to the Jacksonville City Council for final action by July 1, 2020 per Charter requirements.

Whereas at the May 2021 Board of Directors meeting, staff presented key strategic initiatives and budget assumptions from the FY2022 operating and capital budgets. Budget assumptions include: Fuel Charge and base rate adjustments for the Electric System, Capacity Fee adjustments for the Water and Wastewater System and financial metrics that are within Pricing Policy targets. The proposed budgets include considerable internal funding for the capital programs with revolving credit facility advances on an interim basis, to be refinanced with new bonds for the Water and Wastewater System. The Electric System capital programs will continue to support the "pay-go" philosophy for all capital expenditures. In addition, the budget includes a record high contribution to the City of Jacksonville General Fund in the amount of \$121.2 million. The operating and capital budget schedules that will be transmitted to the City Council upon JEA Board approval are attached as Schedules A and B. As required by the City of Jacksonville, JEA transmits its Five-Year Capital Improvement Program during the annual budget process and is attached as Schedule C.

Whereas the rate and fee recommendations will be presented for approval at a public rate hearing at the August 2021 Board of Directors meeting.

Whereas on January 5, 2018 the St. Johns River Power Park (SJRPP) was decommissioned, the JEA Board will continue to approve the annual operating budget for JEA's ownership interest in SJRPP. The SJRPP budget is not approved by the City Council. Schedule D, attached, summarizes JEA's share of the proposed FY2022 operating budget for SJRPP, which includes debt service costs.

Whereas JEA owns a 23.64 percent interest in Unit 4 of the Robert W. Scherer Electric Generating Plant (Scherer Unit 4). As with SJRPP, JEA's share of the operating and capital budgets for this unit is a component of the JEA Electric System fuel and purchased power expense. The proposed FY2022 operating budget for Plant Scherer reflects a shutdown in the second quarter. Decisions regarding the operation of Unit 4 are made by majority vote of the co-owners. The JEA Board approves JEA's share of the annual budget for Scherer Unit 4, but the City Council does not review or approve the Plant Scherer budget. Schedule D, attached, summarizes JEA's share of the FY2022 operating and capital budgets for Plant Scherer. Note that this budget is subject to approval by the other co-owners.

BE IT RESOLVED by the JEA Board of Directors that:

- (1) the proposed operating and capital budgets as shown on Schedules A, B, and C (attached) will be approved and will authorize staff to transmit the recommended budgets to the Jacksonville City Council for final action, and transmit the Five-Year Capital Improvement Program (Schedule C) as required by the Jacksonville City Planning Department, and
- (2) JEA's share of the SJRPP and Plant Scherer operating and capital budgets will be approved as shown on Schedule D (attached), and
- (3) the Managing Director/CEO is authorized to adjust the budget approved by the Board of Directors and submitted to Council, if necessary, within the total approved budget amounts for each system.

Dated this 22nd day of June 2021.

JEA Board Chair

JEA Board Secretary

Form Approved by

Office of General Counsel

VOTE	
In Favor	
Opposed	
Abstained	

JEA Fiscal Year 2022 Operating and Capital Budgets
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July 1, 2021

The Honorable Samuel Newby
President, City Council
City of Jacksonville
117 West Duval Street, Suite 425
Jacksonville, FL 32202

Dear Council President Newby:

Pursuant to the City of Jacksonville Charter, I am transmitting the proposed JEA Fiscal Year (FY) 2022 budget for City Council action. The recommended operating and capital budgets provide funding for operational initiatives and capital projects which support our purpose of providing clean, safe, reliable, and affordable electric, water and wastewater services while remaining environmentally sound and financially strong.

The budget includes a \$1.2 million (1.0%) increase in City Contribution, bringing the FY2022 contribution to \$121.2 million (approximately 9.8% of JEA budgeted base revenues). JEA's total local government transfer, including contribution, franchise fees, and public service tax, is forecasted to be \$252.7 million, which represents 20.5% of budgeted base revenues and 13.7% of the total proposed budget.

The budget is sensitive to the challenges of the current economic conditions. It includes a recommendation to lower the customer Fuel Charge to \$30.50/MWh from \$32.50/MWh, an increase to Electric System base rates, as well as \$17.6 million in increases for a potential adjustment to Capacity Fees. These recommendations will be presented for approval at a public rate hearing at the August 2021 Board of Directors meeting. The FY2022 sales budgets are properly aligned to current expectations of sales in Electric and for the Water, Wastewater, and Reclaimed Water Systems. Our goal is to achieve stability by effectively balancing the need for very tight expense controls with continued investment in improving the utility system's operating performance, improving the quality of service delivery, achieving regulatory compliance, and ensuring workforce readiness.

The budget includes internal funding of the capital program to support the "pay-go" philosophy for all recurring capital expenditures for the Electric System, which has been increased by \$23.3 million from FY2021. The Water and Wastewater System increased \$34.5 million from FY2021 and will utilize internal funding and revolving credit facility advances on an interim basis, to be refinanced with new bonds

The proposed operating budgets for FY2022 are \$1,289.9 million for the Electric System, \$541.5 million for the Water and Wastewater System and \$8.8 million for the District Energy System. The proposed capital budgets for FY2022 are \$240.8 million for the Electric System, \$362.4 million for the Water and Wastewater System, and \$5.6 million for the District Energy System.

Following are highlights of the proposed budget:

- FY2022 operating budget is \$71.5 million higher than FY2021, a result of the inclusion of higher capacity fees, new building costs, and increases in Non-Fuel Purchased Power, offset by reductions in other areas.
- Debt service decreased \$19.5 million from FY2021
- Electric System Fuel Charge rate reduction to \$30.50/MWh from \$32.50/MWh

JEA Fiscal Year 2020 Operating and Capital Budgets
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- No planned Water and Wastewater System rate adjustments
- Government transfers of \$252.7 million, including, a record high City of Jacksonville General Fund contribution of \$121.2 million, Franchise Fees of \$40.1 million, and Public Service Tax collection of \$91.4 million
- Capital program to ensure continued system reliability
- Financial metrics that meet Rating Agency commitments
- Funding for key strategic issues that support the quality of service delivery, regulatory compliance, workforce readiness, communications, conservation, sewer resiliency, septic tank phase-out, and customer satisfaction initiatives
- Rigorous and disciplined focus on workplace safety

We appreciate the City Council's past and current support of JEA. We believe the attached budget will enable us to continue to improve Jacksonville's environment while supporting the economy through high quality, low-cost utility infrastructure for the citizens of our community.

Sincerely,

John Baker, Chair
Board of Directors

cc: Council Auditor
Office of Mayor (3 copies)

Attachments: Schedules A and B

**JEA
CONSOLIDATED OPERATING BUDGET
FISCAL YEAR 2022**

	Electric System	Water & Wastewater System	District Energy System	Total
FUEL RELATED REVENUES & EXPENSES:				
FUEL REVENUES:	\$ 368,899,940	\$ -	\$ -	\$ 368,899,940
Total Net Revenues	<u>\$ 368,899,940</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 368,899,940</u>
FUEL EXPENSES:				
Fuel & Purchased Power	\$ 368,899,940	\$ -	\$ -	\$ 368,899,940
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUEL SURPLUS/(DEFICIT)				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BASE RELATED REVENUES & EXPENSES				
BASE OPERATING REVENUES:				
Base Rate Revenues	\$ 785,192,000	\$ 439,929,234	\$ 8,839,543	\$ 1,233,960,777
Environmental Charge Revenue	7,442,000	27,010,000	-	34,452,000
Conservation Charge & Demand Side Revenue	732,000	-	-	732,000
Other Revenues	123,615,440	25,494,531	-	149,109,971
Natural Gas Pass Through Revenue	823,420	-	-	823,420
Total Base Related Revenues	<u>\$ 917,804,860</u>	<u>\$ 492,433,765</u>	<u>\$ 8,839,543</u>	<u>\$ 1,419,078,168</u>
BASE OPERATING EXPENSES:				
Operating and Maintenance	\$ 255,776,299	\$ 184,882,130	\$ 5,127,990	\$ 445,786,419
Environmental	2,263,500	7,608,200	-	9,871,700
Conservation & Demand-side Management	7,227,800	-	-	7,227,800
Natural Gas Pass Through Expense	918,473	-	-	918,473
Non-Fuel Purchased Power	263,361,133	-	-	263,361,133
Non-Fuel Uncollectibles & PSC Tax	1,391,596	700,409	-	2,092,005
Emergency Reserve	5,000,000	1,000,000	-	6,000,000
Total Base Related Expenses	<u>\$ 535,938,801</u>	<u>\$ 194,190,739</u>	<u>\$ 5,127,990</u>	<u>\$ 735,257,530</u>
BASE OPERATING INCOME:	\$ 381,866,059	\$ 298,243,026	\$ 3,711,553	\$ 683,820,638
NON-OPERATING REVENUE:				
Investment Income	3,194,911	2,075,631	-	5,270,542
Transfer To/From Fuel Recovery	-	-	-	-
Capacity Fees	-	47,000,000	-	47,000,000
Total Non Operating Revenues	<u>\$ 3,194,911</u>	<u>\$ 49,075,631</u>	<u>\$ -</u>	<u>\$ 52,270,542</u>
NON-OPERATING EXPENSES:				
Debt Service	109,816,948	67,135,355	3,171,208	180,123,511
Demand-side Management - Rate Stabilization	-395,800	-	-	-395,800
Environmental - Rate Stabilization	-3,821,756	-	-	-3,821,756
Total Non Operating Expenses	<u>\$ 105,599,392</u>	<u>\$ 67,135,355</u>	<u>\$ 3,171,208</u>	<u>\$ 175,905,955</u>
BASE INCOME BEFORE TRANSFERS	\$ 279,461,578	\$ 280,183,302	\$ 540,345	\$ 560,185,225
City Contribution Expense	94,545,651	26,666,722	-	121,212,373
Interlocal Payments	-	21,000,000	-	21,000,000
Renewal and Replacement Fund	65,000,000	25,243,465	426,828	90,670,293
Operating Capital Outlay	116,621,139	149,471,315	113,517	266,205,971
Environmental Capital Outlay	3,294,788	10,801,800	-	14,096,588
Capacity Fees	-	47,000,000	-	47,000,000
Operating Contingency	-	-	-	-
Total Non-Fuel Expenses	<u>\$ 279,461,578</u>	<u>\$ 280,183,302</u>	<u>\$ 540,345</u>	<u>\$ 560,185,225</u>
SURPLUS/(DEFICIT)	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	\$ 1,289,899,711	\$ 541,509,396	\$ 8,839,543	\$ 1,840,248,650
TOTAL APPROPRIATIONS	\$ 1,289,899,711	\$ 541,509,396	\$ 8,839,543	\$ 1,840,248,650
BUDGETED EMPLOYEE POSITIONS	1,527	650	6	2,183
BUDGETED TEMPORARY HOURS	104,000	20,800	0	124,800

**JEA
CONSOLIDATED CAPITAL BUDGET
FISCAL YEAR 2022**

	Electric System	Water & Wastewater System	District Energy System	Total
CAPITAL FUNDS:				
Renewal & Replacement Deposits	\$ 65,000,000	\$ 25,243,465	\$ 426,828	\$ 90,670,293
Operating Capital Outlay	116,621,139	149,471,315	113,517	266,205,971
Environmental Capital Outlay	3,294,788	10,801,800	-	14,096,588
Capacity Fees	-	47,000,000	-	47,000,000
Debt Proceeds	-	129,885,420	-	129,885,420
Other Proceeds	55,886,073	-	5,009,944	60,896,017
Total Capital Funds	<u>\$ 240,802,000</u>	<u>\$ 362,402,000</u>	<u>\$ 5,550,289</u>	<u>\$ 608,754,289</u>
CAPITAL PROJECTS:				
Generation Projects	\$ 40,010,000	\$ -	\$ -	\$ 40,010,000
Transmission & Distribution Projects	119,503,000	-	-	119,503,000
District Energy Projects	-	-	5,550,289	5,550,289
Water Projects	-	96,792,000	-	96,792,000
Sewer Projects	-	231,120,000	-	231,120,000
Other Projects	81,289,000	34,490,000	-	115,779,000
Total Capital Projects Subtotal	<u>\$ 240,802,000</u>	<u>\$ 362,402,000</u>	<u>\$ 5,550,289</u>	<u>\$ 608,754,289</u>
Capital Reserve	-	-	-	-
Total Capital Projects	<u>\$ 240,802,000</u>	<u>\$ 362,402,000</u>	<u>\$ 5,550,289</u>	<u>\$ 608,754,289</u>

JEA
Five Year Capital Improvement Program
Fiscal Years 2022-2026
 (\$000'S Omitted)

Project Title	FY2022	FY2023	FY2024	FY2025	FY2026	Project Total
Electric System Generation	40,010	42,222	42,704	50,300	174,147	349,383
Electric System Transmission and Distribution	119,503	117,813	99,401	99,809	98,694	535,220
Electric System Other	81,289	50,072	38,799	37,952	35,897	244,009
Total	<u>\$240,802</u>	<u>\$210,107</u>	<u>\$180,904</u>	<u>\$188,061</u>	<u>\$308,738</u>	<u>\$1,128,612</u>
Water Treatment and Distribution	96,792	99,902	106,228	90,603	70,359	463,884
Sewer, Wastewater, and Reclaimed	231,120	279,329	250,575	167,231	114,817	1,043,072
Water Other Capital	34,490	31,267	36,762	30,740	30,503	163,762
Total	<u>\$362,402</u>	<u>\$410,498</u>	<u>\$393,565</u>	<u>\$288,574</u>	<u>\$215,679</u>	<u>\$1,670,718</u>
District Energy System	<u>\$5,550</u>	<u>\$2,724</u>	<u>\$5,674</u>	<u>\$2,931</u>	<u>\$2,550</u>	<u>\$19,429</u>

**JEA
ST. JOHNS RIVER POWER PARK (SJRPP)
AND PLANT SCHERER (SCHERER)
OPERATING AND CAPITAL BUDGET
FISCAL YEAR 2022**

	SJRPP	SCHERER
OPERATING BUDGET:		
Revenue:		
Operating Revenue from JEA	\$ 22,570,115	\$ 97,365,343
Expenses:		
Fuel and O & M	\$ -	\$ 16,047,727
Transmission	-	1,640,811
Debt Service	20,062,324	77,635,936
Renewal & Replacement	2,507,791	2,040,869
Total Expenses	<u>\$ 22,570,115</u>	<u>\$ 97,365,343</u>
CAPITAL BUDGET :		
	<u>\$ -</u>	<u>\$ 2,040,869</u>

MWHs Purchased by JEA Electric System 308,616

Notes: all Plant Scherer employees are Georgia Power Co. employees.
SJRPP was decommissioned as of January 5, 2018.