JEA FINANCE & AUDIT COMMITTEE AGENDA

DATE: March 18, 2019 **TIME:** 8:00 – 10:00 AM **PLACE:** 21 W. Church Street

8th Floor Conference Room

				Responsible Person	Action (A) Info (I)	Total Time
I.	OP	ENING CONSIDERATIONS		Kelly Flanagan		
	A.	Call	to Order			
	B.	Ado	ption of Agenda		A	
	C.	App	roval of Minutes – December 3, 2018	La'Trece Bartley	A	
II.	NE	NEW BUSINESS				
	A.	. FY2020 Budget Assumptions		Juli Crawford	I	30 mins.
	B.	JEA Annual Disclosure Policy Report		Ryan Wannemacher	I	10 mins.
	C.	Quai	rterly Audit Services Update	Steve Tuten	I	5 mins.
	D.	Ethics Officer Quarterly Report		Walette Stanford	I	5 mins.
	E.	Treasury				
		1.	Electric System and Water and Sewer System Reserve Fund Quarterly Report	Joe Orfano	I	5 mins.
		2.	STAR Plan Early Debt Retirement Phase 1 Update	Joe Orfano	I	5 mins.
	F.	JEA Energy Market Risk Management Policy Report Program Assessment Announcements 1. Next Meeting, May 20, 2019, 8:00 – 10:00am		Joe Orfano	A	10 mins.
	G.			Caren Anders	I	5 mins.
	H.			Ted Hobson	I	10 mins.
	I.					
	J.					
		1.	Governance Discussion	Aaron Zahn	I	5 mins.
		2.	Ernst & Young	John DiSanto	I	5 mins.
		3.	Director, Audit Services	Steve Tuten	I	5 mins.
		4. Council Auditor's Office		Jeff Rodda	I	5 mins.
	K.	Adjo	ournment			

JEA FINANCE & AUDIT COMMITTEE MINUTES December 3, 2018

The Finance & Audit Committee of JEA met on Monday, December 3, 2018, 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 attended telephonically and called the meeting to order at 8:00 AM. Vice Chair Husein Cumber and Board Chair Alan Howard were in attendance. Others in attendance were Aaron Zahn, Melissa Dykes, Mike Brost, Angie Hiers, Ted Hobson, Kerri Stewart, Frank DiBenedetto, Dan Mishra, Paul Steinbrecher, Sheila Pressley, Jody Brooks, Steve Tuten, Joe Orfano, Gina Kyle, Walette Stanford, Janice Nelson, Ryan Wannemacher, Steve McInall, Kristina Quarterman, Juli Crawford, Laure Whitmer, John DiSanto and Russ Jeans, Ernst & Young.

Due to a lack of quorum physically present, agenda items were received for information only. Action items will be brought before the December 11, 2018 full Board for action.

- B. Adoption of Agenda Due to a lack of quorum, the agenda was received for information
- C. Approval of Minutes Due to a lack of quorum, the August 13, 2018 Minutes were received for information.

Agenda Item II - New Business

- A. Quarterly Audit Services Update Steve Tuten, Director, Audit Services, provided an update to the Committee regarding the progress of the FY18 Internal Audit Plan, and open audit and investigation report issues, Enterprise Risk Management (ERM) highlights, risks and trend report, and the Ethics Hotline Report. The Committee held discussions regarding Top Corporate Risks. This presentation was received for information.
- B. JEA Identity Theft Protection Program Fair and Accurate Credit Transactions Act (FACTA) Annual Risk Assessment Dan Mishra, Director, CIP Compliance, provided the annual report to the Committee as mandated by federal regulations governing identity theft. Mr. Mishra stated the primary objective of JEA's Identity Theft Protection Program (PII) is to prevent identity fraud involving JEA customers. This presentation was provided for information.
- C. Ethics Officer Quarterly Report Walette Stanford, Ethics Officer and Director, Workforce Strategies, provided an update regarding ethics inquiries, FY18/19 gift registry, Business Ethics Training and information on a new ordinance to the City Council, through the Ethics Coordination Council, to make minor changes to the gift log. The change would allow each independent agency to structure their own policies. This presentation was received for information.

D. Treasury

- Electric System and Water and Sewer System Reserve Fund Quarterly Report Joe Orfano, Treasurer, reviewed the Electric System and Water and Sewer System Reserve Fund Quarterly Report, which was received for information.
- 2. JEA Calendar Years 2019 and 2020 Fixed Rate Refunding Debt Parameter Resolutions for Electric, Water and Sewer, St. Johns River Power Park and Bulk Power Supply Systems Joe

Orfano, Treasurer, presented and recommended that the Committee approve and adopt Resolutions No. 2018-15, 2018-16, 2018-17, 2018-18, 2018-19 and 2018-20 and the related forms of Bond Purchase Agreement, Preliminary Official Statement, Escrow Deposit Agreement and Bond that will provide the Managing Director/CEO the authorization to price and execute Electric System, Subordinated Electric System, Water and Sewer System, Subordinated Water and Sewer System, St. Johns River Power Park System Issue Three and Bulk Power Supply System fixed rate refunding transactions, respectively, within the stated parameters.

Due to a lack of quorum, this item was received for information and will be presented at the December 11, 2018 Board Meeting for action.

- E. JEA Energy Market Risk Management Policy Report Steve McInall, Vice President/General Manager, Electric Systems, reviewed the Energy Market Risk Management Policy Report, which was received for information.
- F. Ernst & Young FY2018 External Audit Report John DiSanto, Partner, Ernst & Young (EY) introduced Mr. Russ Jeans, Senior Manager, EY. Mr. DiSanto presented an overview of the 2018 Audit Report and Management Letter, copies of which were provided to Committee Members, along with a draft copy of JEA's Audited Financial Statements. Mr. DiSanto extended appreciation for outstanding the cooperation and communication between JEA staff, EY, and the City of Jacksonville auditors. Committee Chair Flanagan and Mr. Cumber extended their appreciation to JEA management and EY staff.
- G. Announcements
 - 1. The next Finance and Audit Committee meeting will be held on March 18, 2019, at 8:00 AM.
- H. Committee Discussion Sessions
 - 1. Ernst & Young At 9:55 AM, Committee Chair Flanagan dismissed staff and the Committee held a general conversation with John DiSanto.
 - 2. Council Auditor's Office The Council Auditor's Office was not in attendance.
 - **3.** Director, Audit Services At 10:05 AM, Committee Chair Flanagan and the Committee held a general conversation with Steve Tuten, Director, Audit Services.

Closing Considerations

With no further business claiming the attention of this Committee, the meeting was declared adjourned at 10:06 AM.

APPROVED BY:	
	Kelly Flanagan, Committee Chair Date:
Submitted by:	
La'Trece Bartley	
Manager, Executive Administration	



INTER-OFFICE MEMORANDUM

March 6, 2019

SUBJECT: FY2020 BUDGET ASSUMPTIONS

FROM: Aaron F. Zahn, Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair

John Campion

BACKGROUND:

Budget assumptions are established to address key strategic issues, risks, major challenges and assumptions for the upcoming fiscal year, and are presented to the Finance and Audit Committee for feedback and direction.

DISCUSSION:

Staff will provide the FY2020 Budget assumptions for the JEA operating and maintenance budget and the capital budget for both the Energy and Water and Wastewater systems.

Assumptions include:

Revenue Fuel Revenue & Expenses O&M Expense levels Financial Metrics Capital Expenditures Financing Plan

RECOMMENDATION:

Staff is providing this presentation for the Committee's consideration and requests feedback and direction regarding the FY2020 Budget.

Aaron F. Zahn, Managing Director/CEO

AFZ/RFW/KMQ





1 Strategic Issues & Risks

2 Key Assumptions

(3) Electric System Budget Assumptions

Water & Sewer System Budget Assumptions

5) Government Transfer via the JEA Bill

Budget Timeline & Action Items

STRATEGIC ISSUES & RISKS



Financial Performance & Flexibility

➤ Our fundamental goal is to maximize each of our corporate measures of value: customer value, financial value, community impact value, & environmental value

Water Resource Management

- ► CUP1 Compliance Reclaim, conservation programs, minimum flow and levels (MFL)
- Driving Net Zero
- Sewer system resiliency
- Water Purification

STAR Plan

- Increased revolver by \$200 million at same pricing, terms, and conditions
- ► Pay off ~\$1 billion of debt by 2023
- Cash funding ~\$1.6 billion in CAPEX for the next four years
- ► No projected base rate increases necessary to execute plan

Workforce Readiness

- Adaptability
- Retention
- Engagement
- Alignment
- Corporate Identity
- Workforce Diversity

Strategic Plan Implementation

- ▶ Drive an adaptive culture
- Align to a pervasive commitment to profitability and value
- ▶ De-risk the business
- ▶ Be a platform for customer choice

S KEY ASSUMPTIONS





REVENUE PROJECTIONS

- ► Electric net customer account annual growth at 1.7%
- Water net customer account growth at 2.5%
- Annual Electric unit sales projected at 12,200,000 MWh (2.8% below the FY2019 assumption)
- Annual Water unit sales projected to be 69,600,000 kgals (4.7% below the FY2019 assumption)

FUEL & PURCHASED POWER COSTS

- FY2020 projection reflects lower solid fuel and lower byproduct disposal
- FY2020 year-end fuel reserve balances projected to be 12% of target expense
- Fuel Hedges for Natural Gas in place through Calendar Year 2021
 - Will continue to monitor projected fuel reserve balance

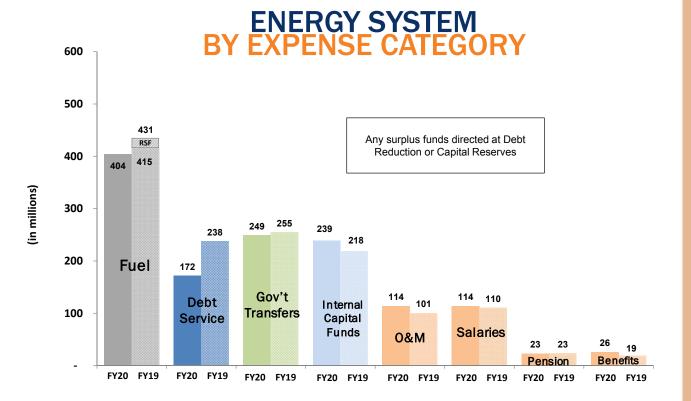




LABOR COSTS

- Bargaining unit wages reflect negotiated contracts through FY2019
- Pension costs set equal to FY2019 levels as pension reform was completed in FY2017
- Staffing risks mitigated with continuation of Workforce Readiness and Succession Planning initiative
- In Q3 FY2019 we will introduce a Total Market Compensation Philosophy in order to align compensation to results and value

ENERGY SYSTEM BUDGET ASSUMPTIONS



FY2020B \$1.3 Billion

VS

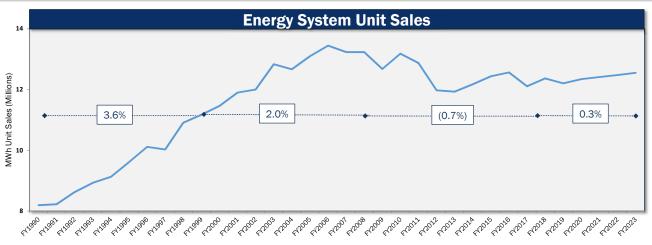
FY2019B \$1.4 Billion

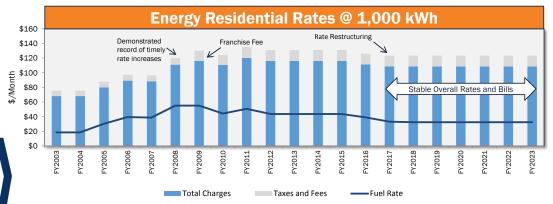
OF NOTE

- Fuel includes Scherer transmission and capacity expenses
- SJRPP and Scherer non-fuel purchase power expenses included in Debt Service and Internal Capital. Scherer also included in O&M
- O&M Salaries, Benefits, and Pension are net of capital
- FY2020 0&M includes \$2M Natural Gas retail sale operations
- Internal Capital Funds include JEA Electric System R&R and OCO, SJRPP R&R, and Scherer R&R, no new debt is required
- Lower principal and interest due to debt restructuring in FY2017
- Internal capital funds for FY2020 are greater than annual depreciation but less than the estimated budget for FY20 of \$232m
- Any surplus funds directed at debt reduction or capital reserves

FY2020 BUDGET ENERGY SYSTEM OPERATING BUDGET

Energy Assumptions





FY2020 BUDGET

ENERGY SYSTEM

OPERATING BUDGET

(\$ in millions)	FY2019 Budget ¹	FY2020 Budget ¹	Variance	Explanation
Salaries & Benefits	\$179.9*	\$190.2*	\$10.3	Step increases, market adjustments and bargaining unit agreements
Other Services	114.6	122.9	8.3	Outage and 5 to 5 Incentive Program
Materials & Supplies	17.1	20.4	3.3	Outage and increased cost of supplies and materials
Other	18.9	21.0	2.1	Insurance Premium Increase, Interest on Customer Deposits
Credits - Shared Services	(53.9)	(59.1)	(5.2)	Increase to Water Billing Credit due to increased W/WW expenses
Credits – Capitalization	(40.3)	(38.8)	1.5	Lower overall capitalization percentages
Credits - Other	(15.2)	(14.6)	0.6	Decrease in SJRPP Service Level Agreement
Total	\$221.1	\$242.0	\$20.9	

Key Strategic Issues <u>Included</u> in Budget					
FY2019			FY 2020		
Generating Unit Outages	16.2		Generating Unit Outages	20.6	
Succession Planning Staffing Risks	2.6		Succession Planning Staffing Risks	2.6	
Enterprise Asset Management	3.0		Enterprise Asset Management	3.0	
			5 to 5 Innovation Incentive Program	2.8	
Compensation	*		Compensation	*	
Total	\$21.8		Total	\$29.0	

¹Excludes Customer Benefit, Environmental, and Retail Natural Gas

SOURCES OF FUNDS

OTHER CAPITAL OUTLAY



RENEWAL & REPLACEMENT

USES OF FUNDS

SYSTEM MAINTENANCE Renewal & Replacement

- Distribution
- Facilities, Fleet, & Technology

SYSTEM EXPANSION

- **New or Expanded Generation**
- **New Transmission Lines**
- **New or Expanded Substations**

FY2020 BUDGET ENERGY SYSTEM **FY2020 ENERGY SYSTEM CAPITAL BUDGET \$232 MILLION**





FY2019 capital plan budget was \$334.5 million, current forecast is \$275 million



FY2020 capital program is projected to be \$232 million

FY2020 capital funding plan utilizes existing capital cash balances to fund qualifying projects, resulting in no new debt issuance for FY2020



Focus on FY2020 key initiatives related to technology with a \$20 million 2-Way Meter Conversion and \$9.5 million on SAIDI improvement plan

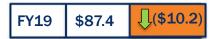








FY20 **\$77.2**





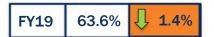
DEBT SERVICE COVERAGE

FY20 3.7X



DEBT TO ASSET RATIO

FY20 **62.2%**





VARIABLE RATE DEBT NET OF SWAPS

FY20 **8.8%**

FY19	8.0%	1 0.8%



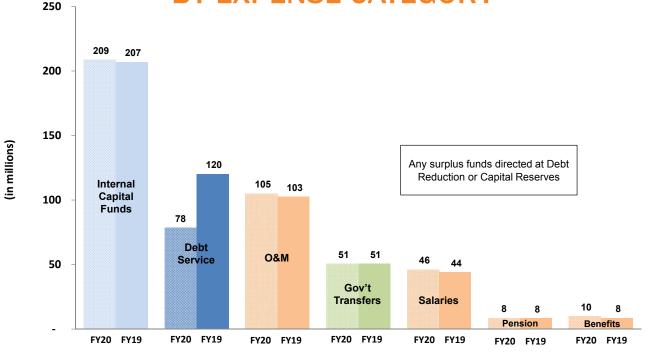
FY2020 BUDGET

BOND RATING: A2/A+/AA



WATER & WASTEWATER SYSTEM BUDGET ASSUMPTIONS

WATER & WASTEWATER SYTEM BY EXPENSE CATEGORY



FY2020B \$507 Million

VS ¢

FY2019B \$541 Million

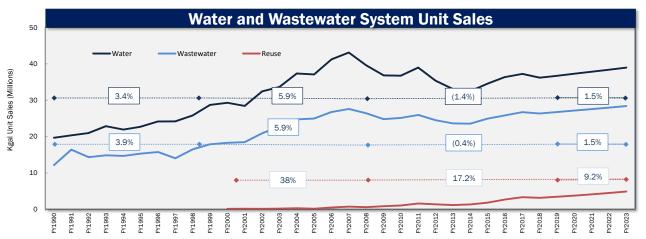
OF NOTE

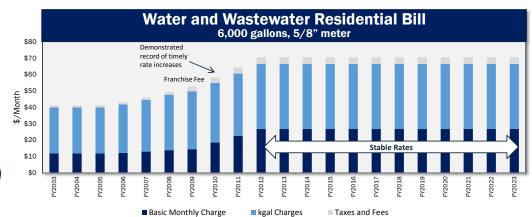
- Government Transfers include City Contribution, COJ Public Service Tax, and COJ Franchise Fee
- O&M Salaries, Benefits, and Pension are net of capital
- The FY2020 capital program is partially funded by \$209m in internal capital funds
- FY2020 Debt Service decrease reflects the defeasance of \$95m in debt, approximately \$42m of which impacts FY2020
- Internal capital funds for FY2020 are greater than annual depreciation but less than the estimated budget for FY2020 of \$260m
- Any surplus funds directed at debt reduction or capital reserves

FY2020 BUDGET
W/WW
OPERATING BUDGET

15

Water/Wastewater Assumptions





(\$ in millions)	FY2019 Budget ¹	FY2020 Budget ¹	Variance	Explanation
Salaries & Benefits	\$74.2*	\$76.9*	\$2.7	Bargaining unit agreements, additional headcount, and increased benefit costs
Other Services	31.8	33.0	1.2	Includes storm generator lease, water/sewer resiliency assessment
Materials & Supplies	14.6	15.2	0.6	Increased cost of supplies and materials
Shared Services	53.8	55.2	1.4	Increase to Water Billing Credit Expense
Other	3.6	3.7	0.1	Insurance premium increase
Credits – Capitalization	(20.5)	(19.0)	1.5	Lower capitalization
Total	\$157.5	\$165.0	\$7.5	

Key Strategic Issues <u>Included</u> in Budget					
FY2019			FY 2020		
Integrated Water Resource Plan/Water Purification			Integrated Water Resource Plan/Water Purification	\$0.8	
Succession Planning Staffing Risks	1.0		Succession Planning Staffing Risks	1.0	
Enterprise Asset Management	1.0		Enterprise Asset Management	1.0	
Storm Generators and Pumps	1.5		Storm Generators and Pumps	1.3	
Storm Resiliency Assessment	1.6		Storm Resiliency Assessment	1.2	
Compensation	*		Compensation	*	
Total	\$5.9	-	Total	\$5.3	

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SOURCES OF FUNDS

\$ 51 MILLION

CARRYOVER INTERNAL FUNDS

\$171

OTHER CAPITAL OUTLAY

\$25

RENEWAL & REPLACEMENT

\$13 MILLION

ENVIRONMENTAL

USES OF FUNDS

\$186 MILLION

SYSTEM MAINTENANCE

- ► Renewal & Replacement
- ▶ Distribution
- ► Facilities, Fleet, & Technology

\$59
MILLION

SYSTEM EXPANSION

- New or Expanded Treatment
- **▶** New Transmission Lines
- ▶ New or Expanded Master Pumps

\$ 15
MILLION

ENVIRONMENTAL

- BMAP*/TMDL**/Reclaim
- Total Water Management Plan
- Major Environmental Initiatives
- *Basin Management Action Plan
- **Total Maximum Daily Limit of Nitrogen

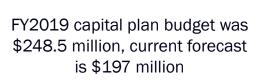
FY2020 BUDGET
W/WW SYSTEM
CAPITAL FUNDING

FY2020 WATER & WASTEWATER SYSTEM CAPITAL BUDGET \$260 MILLION



FY2020 capital funding plan utilizes existing capital cash balances to fund qualifying projects, resulting in no new debt

issuance for FY2020







FY2020 \$48m in resiliency work which will include storm hardening improvements

Engineering on the Greenland WRF is underway. Overall project budget is \$83 million, FY20 budget is \$14.5 million



FY2020 capital program is

projected to be \$260 million

W/WW SYSTEM CAPITAL FUNDING DISCUSSION & ANALYSIS





FY20 \$58.6

FY19 \$65.4 \(\bigcup (\\$6.8)



DEBT SERVICE COVERAGE

FY20 **4.2**X



DEBT TO ASSET RATIO

FY20 **43.4%**

FY19 45.8% (2.4%)



VARIABLE RATE DEBT NET OF SWAPS

FY20 **12.0**%

FY19 10.4% 1.6%



FY2020 BUDGET
W/WW SYSTEM
CAPITAL FUNDING



BOND RATING: A2/AAA/AA



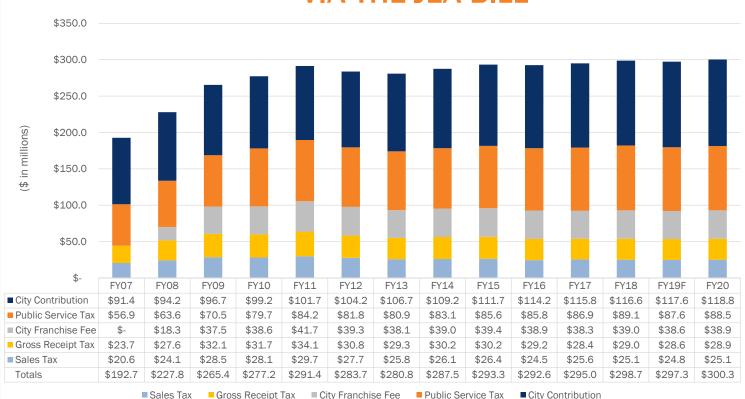
GOVERNMENT TRANSFERS VIA THE JEA BILL

OF NOTE

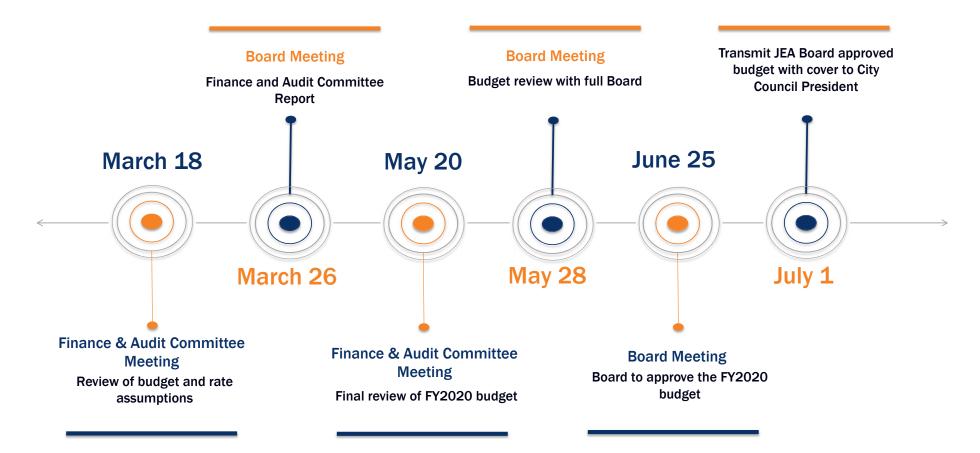
- Paid to COJ:
 - City Contribution
 - Public Service Tax
 - · City Franchise Fee
- · Paid to State of Florida:
 - Gross Receipt Tax
- · Paid to COJ & State:
 - Sales Tax
- JEA transfers to the City of Jacksonville have increased to \$246 million
- FY2020 shows a 56% increase in total contributions as compared to FY2007
- The City Contribution
 Agreement has been extended through FY2023

FY2020 BUDGET
GOVERNMENT
TRANSFERS VIA THE
JEA BILL

GOVERNMENT TRANSFERS VIA THE JEA BILL



BUDGET TIMELINE & ACTION ITEMS



FY2020 BUDGET
BOARD REVIEW &
APPROVAL SCHEDULE



Finance and Audit Committee Action

- Provide feedback and direction regarding the key strategic issues and risks for the FY2020 Budget specifically covering:
 - Revenue
 - O&M Expense Levels
 - Debt Structure
 - Financial Metrics
- Provide feedback and direction for staff to present the Proposed Budget to the full Board

STAFF

- Prepare Draft Budget, as well as related agenda items for review at the May Board Meeting
- Prepare budget package for approval at the June Board meeting
- Communicate with the Council Auditor
- Begin communication plan for other key stakeholders



INTER-OFFICE MEMORANDUM

February 21, 2019

SUBJECT: JEA ANNUAL DISCLOSURE POLICY REPORT

FROM: Aaron F. Zahn, Managing Director and CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair

John Campion

BACKGROUND:

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

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

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

DISCUSSION:

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

Among actions required under the Disclosure Policies, the Chief Financial Officer shall provide a report to the Finance and Audit Committee each year, at the meeting of the Finance and Audit Committee immediately preceding the public dissemination of the Annual Disclosure Reports, regarding compliance with the Disclosure Policies during the preceding twelve month period. This report shall (i) state whether the Annual Disclosure Reports for the current year are being prepared in compliance with these Disclosure Policies and whether all disclosure documents prepared during the prior twelve month period were prepared in accordance with the Disclosure Policies, (ii) describe any issues or problems which arose in connection with compliance with the Disclosure Policies during such period and (iii) present any recommendations for changes to the Disclosure Policies. In accordance with Section 7.3 of the

Page 2

Disclosure Policies, recommendations for improvement of these Disclosure Policies shall be solicited and considered by the Treasurer and if revision is deemed to be appropriate will be reviewed by the Bond Counsel and the Chief Financial Officer. Attached are a clean copy together with marked pages of the Disclosure Policies reflecting changes to Sections 3.5 and 4.9 as a result of recent Senior Leadership Team changes.

Staff is in the process of preparing the Annual Disclosure Reports for the fiscal year ended September 30, 2018, and plans to seek the Board's approval and authorization to disseminate those reports at its April 23, 2019 meeting. In accordance with past practice and prior Boards' requests, staff intends to provide Board members with substantially final drafts for their review at the March 26, 2019 Board meeting.

RECOMMENDATION:

No Board action is required. For information only.

Aaron F. Zahn, Managing Director and CEO

AFZ/RFW/JEO/

To: Finance & Audit Committee

From: Ryan F. Wannemacher, Chief Financial Officer

Date: March 6, 2019

Re: Report delivered pursuant to Section 7.5 of JEA's Disclosure Policies and Procedures

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

1. All Annual Disclosure Reports and Disclosure Documents prepared during the prior twelve-month period were prepared in accordance with the Disclosure Policies.

2. No issues or problems have arisen in connection with compliance with the Disclosure Policies during the prior twelve-month period with the exception of the following:

Subsequent to the JEA senior and subordinated bond rating downgrades by Moody's Investors Service on October 11, 2018, Treasury Staff and Bond Counsel, Nixon Peabody LLC, failed to file mandatory notices of the rating actions on MSRB's EMMA website within the ten business days required by its various Continuing Disclosure Agreements and Continuing Covenant Agreements. While the notices were filed five business days later, JEA will be required to disclose the late filings in its Annual Disclosure Reports and Official Statements for a period of five years.

It should be noted that JEA's failure to comply with the above provision did not constitute a default under any of its senior or subordinated bond resolutions.

JEA Treasury Staff and Bond Counsel have implemented an electronic notification procedure to ensure that such mandatory notice requirements are adhered to prospectively.

- 3. At this time, there are recommendations to make minor revisions to the Disclosure Policies to reflect changes to the Senior Leadership Team. A clean copy together with marked pages of the revised Disclosure Policies are attached to this report.
- 4. A copy of the Disclosure Policies has been provided to all Board members as part of their orientation package and has been distributed to all Finance Staff and Staff participating in the disclosure process.
- 5. A printed copy of each final Annual Disclosure Report for fiscal year ended September 30, 2017 was provided to all members of the JEA Board at their offices on T-8 of the

JEA tower on August 29, 2018. An electronic version may be prospectively provided upon request.

6. The Annual Disclosure Reports for the fiscal year ended September 30, 2018 are being prepared in compliance with the Disclosure Policies. Informational copies of the current drafts of the Annual Disclosure Reports are available to any Finance and Audit Committee member who requests copies of such draft Reports. Near-final drafts of the Annual Disclosure Reports will be provided to Board members at the March 26, 2019 Board meeting with a request to approve the documents at the April 23, 2019 Board meeting.

JEA

DISCLOSURE POLICIES AND PROCEDURES

DATED: May 19, 2015 AMENDED: March 18, 2019

INTRODUCTION

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

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

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

Section 1.0 Definitions

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

"Annual Disclosure Report" means the Electric System Annual Disclosure Report or the Water and Sewer System Annual Disclosure Report, as applicable.

"<u>Authorized Officer</u>" means the Managing Director and Chief Executive Officer and the Chief Financial Officer.

"Board" shall mean the Board of JEA.

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

"Bonds" shall refer to any bonds, notes or other securities offered by JEA, the disclosure relating to which is subject to the requirements of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934,

including Rule 10b-5 thereunder, and Securities Exchange Commission Rule 15c2-12.

"Continuing Disclosure Undertakings" means JEA's contractual obligations entered into by JEA in connection with each issuance of Bonds.

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

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

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

"EMMA" means the Electronic Municipal Market Access system maintained by the Municipal Securities Rulemaking Board.

"<u>Finance Staff</u>" means the Treasurer, Manager Debt, Bond Administration Specialist, Bond Compliance Specialist and Debt Financial Analyst.

<u>"Financial Accounting and Reporting Staff"</u> means the Controller, the Manager Financial Reporting and Accounting and Certified Public Accountants of JEA.

"Official Statements" means, collectively, preliminary and final Official Statements, remarketing circulars or offering memoranda used in connection with the offering or remarketing of Bonds. The Official Statements do not attempt to repeat the information in the Annual Disclosure Reports, but instead generally

include such information by specific cross-reference, as expressly authorized by Rule 15c2-12, and update only the information that has materially changed.

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

"Staff" means employees of JEA.

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

Section 2.0 General Disclosure Practices

- 2.1 The Board, pursuant to supplemental resolutions adopted periodically by such Board, shall directly authorize or delegate authority and responsibility to Finance Staff to prepare and distribute Official Statements, and any updates thereto in the case of securities subject to remarketings, which will be prepared in accordance with these Disclosure Policies unless the Board otherwise directs.
- 2.2 The Treasurer, with the assistance of Finance Staff, is primarily responsible for the preparation of Disclosure Documents, with the assistance of Bond Counsel, the Office of General Counsel, and any other Staff with specific expertise as may be deemed necessary by the Treasurer and shall prepare all Disclosure Documents, including the Annual Disclosure Reports and Official Statements, and shall prepare and submit any other disclosure filings that may be required throughout the year. All Disclosure Documents and any other disclosure filings shall be prepared in accordance with these Disclosure Policies unless the Board otherwise directs.
- 2.3 The Board shall directly approve and authorize the dissemination and use of the Annual Disclosure Reports by voting to accept a Board meeting agenda item annually. Such approval may be obtained without the Board formally adopting a resolution.

Section 3.0 Preparation of Annual Disclosure Reports

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

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

- 3.2 Finance Staff shall be responsible for directly researching any updates for certain information included in the Annual Disclosure Reports, e.g., service area/demographic information as reported in U.S. Census Bureau and State of Florida economic websites and operational statistics and financial results as reported in the fiscal year's audited financial statements and published annual report ("Annual Report") of JEA.
- 3.3 External sources shall be contacted to provide input and any necessary updates with respect to certain other subject areas of each Annual Disclosure Report, e.g., The Energy Authority and their counsel, City of Jacksonville with respect to pension, city contributions, etc., the Office of General Counsel with respect to litigation issues, the local Chamber of Commerce with respect to some service area information and surveys, etc. Finance Staff shall keep written records of the request and transmittal of the information reviewed and submitted by such parties.
- 3.4 Information in each Annual Disclosure Report of the type contained under the captions "Schedules of Debt Service Coverage" and "Management's Discussion of Electric System Operations," "Management's Discussion of Water and Sewer System Operations" and "Management's Discussion of District Energy System Operations", as applicable (collectively, the "Coverage and Operating Information"), shall be prepared by the Finance Staff and reviewed by the Financial Accounting and Reporting Staff and the Chief Financial Officer. The Financial Accounting and Reporting Staff and Finance Staff shall consult with Staff with specific knowledge of various elements of the Coverage and Operating Information and Bond Counsel as they deem appropriate.
- 3.5 Once revised in accordance with the procedures described in Sections 3.1 through 3.4 above, drafts of the Annual Disclosure Reports shall be distributed to Staff, including the Managing Director and Chief Executive Officer and senior leadership team for review and comment, particularly with the President and Chief Operating Officer, Chief Financial Officer, Vice President and General Manager, Energy, Vice President and General Manager, Water and Wastewater Systems, Vice President Energy and Water Planning, Chief Public and Shareholder Affairs Officer and Office of General Counsel representative reviewing the entire documents and certain other members of the JEA senior leadership team (e.g., Vice President and Chief Compliance Officer, Vice President and Chief Human Resources Officer) as determined by the Chief Financial Officer focusing on particular areas assigned to them. Finance Staff and Staff shall review multiple drafts of the Annual Disclosure Reports and the Managing Director and Chief Executive Officer, President and Chief Operating Officer, Chief Financial Officer, Vice President and General Manager, Energy, Vice President and General Manager, Water and Wastewater Systems, Vice President Energy and Water Planning, Chief Public and Shareholder Affairs Officer

and Office of General Counsel representative shall provide their signoff via email or in another writing.

- 3.6 The audited financial statements of JEA shall be included in the Annual Disclosure Reports in accordance with JEA's Continuing Disclosure Undertakings and as required by Rule 15c2-12.
- 3.7 After completing the procedures outlined in Section 3.1 through 3.6 above, drafts of the Electric System Annual Disclosure Report and the Water and Sewer System Annual Disclosure Report shall be provided to Board members at or prior to the regularly scheduled Board meeting that is one month prior to the meeting at which they will be asked to authorize the dissemination and use of the Annual Disclosure Reports. These drafts include the audited financial statements and all appendices. The Chief Financial Officer and Finance Staff will schedule times within this period when Board members may discuss any questions or comments to such Annual Disclosure Reports.
- 3.8 The Chair, Vice Chair or Secretary of the Board and the Managing Director and Chief Executive Officer shall approve the Annual Disclosure Reports and authorize their use and public dissemination by Finance Staff in writing.
- 3.9 JEA's Bond Counsel shall file each of the Electric System Annual Disclosure Report and the Water and Sewer System Annual Disclosure Report on EMMA upon the written direction of Finance Staff which direction may be provided to Bond Counsel via email. JEA staff shall then post each of the Annual Disclosure Reports on JEA's website and remove the previous year's Annual Disclosure Reports from JEA's website. While it is the intent of Finance Staff to file the Electric System Annual Disclosure Report and the Water and Sewer System Annual Disclosure Report simultaneously, such Annual Disclosure Reports may be filed as soon as they are completed as determined by the Chief Financial Officer, but in any event before June 1 of each year as required by the Continuing Disclosure Undertakings.

Section 4.0 Official Statement Review and Disclosure Processes

- 4.1 The Treasurer, with the assistance of Finance Staff, shall identify those persons who, for a particular financing, are appropriate to assist Bond Counsel, the underwriter(s), underwriters' counsel, JEA's financial advisor (collectively, the "Working Group") and appropriate Staff in the preparation and review of the related Disclosure Documents.
- 4.2 The Treasurer, Finance Staff or a member of the Working Group, as applicable, shall prepare a timeline in connection with the preparation and review of the Disclosure Documents. Such timeline shall be delivered by the Treasurer or Finance Staff to the Working Group and JEA's outside auditors so that they are apprised of the JEA's schedule for publishing such Disclosure Documents. The timeline for any particular bond financing for which Official Statements will be prepared shall vary depending on the type of Bonds being offered, the security for the Bonds, the purpose for the financing, and other factors unique to each bond financing.

- 4.3 The Treasurer, or a member of the Finance Staff designated by the Treasurer, shall be responsible for soliciting material information from JEA departments, other necessary entities or other governmental officials (i.e., City of Jacksonville, Office of General Counsel, etc.) for inclusion in the applicable Disclosure Documents, and shall identify Staff and any other governmental officials who may have information necessary to prepare or who should review portions of the Official Statements. Staff and other governmental officials should be timely contacted in writing and informed that their assistance will be needed for the preparation of the Official Statements.
- 4.4 Updated Coverage and Operating Information for the Official Statements, if available, shall be prepared by the Finance Staff and reviewed by the Financial Accounting and Reporting Staff and the Chief Financial Officer. The Financial Accounting and Reporting Staff and Finance Staff shall consult with Staff with specific knowledge of various elements of the Coverage and Operating Information and Bond Counsel as they deem appropriate.
- 4.5 Staff and other governmental officials shall be contacted by the Treasurer or a member of the Finance Staff designated by the Treasurer as soon as reasonably practical in order to provide adequate time for such individuals to perform a thoughtful and critical review or draft of those portions of the Disclosure Document assigned to them.
- 4.6 The written request for information shall include, but not be limited to, the description of any item or event of which Finance Staff is aware which could be material for review by such individuals, departments, other necessary entities or other governmental officials and potential inclusion in the Disclosure Document.
- 4.7 The Treasurer or a member of Finance Staff designated by the Treasurer shall maintain or cause to be maintained an accurate log of all individuals, departments, other necessary entities or other governmental officials that were requested to review or draft information in connection with a Disclosure Document, as well as an accurate log of responses to such requests, including what sections such individuals or entities listed above prepared or reviewed and shall also be responsible for collecting all transmittal letters, certifications, and lists of sources for incorporation into the records to be maintained by the Finance Staff or Treasurer. Such information may be maintained by the filing of electronic communications or emails filed for each offering of Bonds.
- 4.8 The Treasurer, Finance Staff and Bond Counsel shall hold a due diligence conference call with the underwriter(s) and underwriters' counsel, prior to the printing or posting of a preliminary Official Statement.
- 4.9 The Chief Financial Officer, Finance Staff, Vice President and General Manager, Energy or Vice President and General Manager, Water and Wastewater Systems, as applicable, and Chief Public and Shareholder Affairs Officer shall provide

their signoff on the preliminary Official Statement via email or in another writing prior to the printing or posting of a preliminary Official Statement.

- 4.10 Underwriters' Counsel shall provide written discussion topics or questions in advance of the due diligence conference call, to the extent practical, to permit Finance Staff time for response from required Staff, to prepare for the due diligence session and to consider additional matters they deem material to the offering. The due diligence session shall not be limited to the list of written topics or questions or other questions solely from Underwriters' Counsel and may include any other topics deemed relevant by Finance Staff, JEA's financial advisor, Bond Counsel, underwriters counsel or the underwriters. Bond Counsel, JEA's financial advisor and the underwriters and underwriters' counsel shall participate in such due diligence session. Copies of the questions and the responses should be included by the Finance Staff in the files relating to the bond transaction.
- 4.11 If required by Rule 15c2-12 or otherwise, the Treasurer shall sign a certificate to the effect that the preliminary offering document or other disclosure document is deemed final as of its date other than information allowed to be omitted under Rule 15c2-12(b)(1).
- 4.12 At the time of the sale of the Bonds the Treasurer, in conjunction with Finance Staff and Bond Counsel, shall prepare a final Official Statement and satisfy themselves that based on the information provided to them in accordance with these Disclosure Policies at the time of sale such Official Statement is in satisfactory form and that no additional disclosure is required.
- 4.13 Annual audited JEA financial statements shall be incorporated by reference or included into the Disclosure Documents. Management's Discussion of Operations with respect to the Electric System's or the Water and Sewer System's Schedules of Debt Service Coverage, as applicable, for the most recent JEA unaudited quarterly reporting period shall be included in the Official Statements if available and deemed by JEA, Bond Counsel and the underwriter(s) and underwriters' counsel to be material.
- 4.14 Before the printing of any preliminary or final Official Statement the Treasurer or a member of Finance Staff designated by the Treasurer and Bond Counsel shall obtain confirmations from the Office of General Counsel, by e-mail or otherwise, that they know of no material litigation that has been filed (or threatened with a reasonable likelihood of being filed) against JEA since the diligence session and know of no material change that is required to be reflected in the Recent Developments or any other heading of the Disclosure Document.
- 4.15 The Board shall approve any preliminary or final Official Statement prior to its use and public dissemination. The Board may do so by approving a form of preliminary or final Official Statement and delegate to the Managing Director and Chief Executive Officer the authority to make any additions, modifications or changes

as may be necessary to comply with the standard for accuracy and completeness described in Section 7.5 below.

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

Section 5.0 On-Going Disclosure

- 5.1 The Chief Financial Officer, Treasurer, Finance Staff and Bond Counsel shall monitor State and national markets generally and, determine whether there is a need for additional disclosure by way of additional periodic filings with EMMA or any recommended supplement to any Disclosure Document.
- 5.2 The annual and quarterly Management's Discussion and Analysis and the Notes with respect to the general purpose financial statements (collectively, the "MD&A") shall be prepared by Financial Accounting and Reporting Staff and reviewed by Finance Staff. The Financial Accounting and Reporting Staff and Finance Staff shall consult with Staff with specific knowledge of various elements of the MD&A and Bond Counsel as they deem appropriate.
- 5.3 The MD&A shall be reviewed by the Chief Financial Officer prior to being finalized. The Chief Financial Officer shall signoff and approve the MD&A via email or another writing prior to the posting of the MD&A on JEA's website.

Section 6.0 Training

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

A. Board Members

- a. Board Members shall be advised of their general disclosure responsibilities and the extent they may delegate to and rely on Staff's preparation of Disclosure Documents.
- b. Board Members shall be advised of their fiduciary duties under Florida State law.
- c. Specialized training regarding JEA disclosure responsibilities shall be conducted for the members of the Finance and Audit Committee of the Board.

B. Finance Staff

- a. Staff with responsibility for collecting, preparing or reviewing information that is provided for inclusion in a Disclosure Document or for certifying or confirming its accuracy in accordance with these Policies and Procedures, and those persons responsible for executing them, shall attend disclosure training sessions.
- b. The determination as to whether or not an employee or group of employees shall receive such training shall be made by the Treasurer in consultation with Bond Counsel and the Chief Financial Officer.

C. Staff

- a. In addition to the Finance Staff identified above, information from various Electric System and Water and Sewer System level departments may be relevant in the disclosure update process. These System departments include:
 - Electric Production Resource Planning
 - Electric Transmission and Distribution Planning
 - Electric Systems Operations
 - Electric Transmission and Distribution Projects
 - Electric Production
 - Water and Wastewater Planning and Treatment Project Engineering
 - Environmental Programs
 - Permitting and Regulatory Conformance
 - Government Affairs
 - Emerging Workforce Strategies.

Section 7.0 General Principles

- 7.1. Each Staff member participating in the disclosure process shall be responsible for raising potential disclosure items at all times in the process.
- 7.2 Each Staff member participating in the disclosure process should raise any issue regarding disclosure with the Treasurer or Chief Financial Officer at any time.
- 7.3 Recommendations for improvement of these Disclosure Policies shall be solicited and considered by the Treasurer and if revision is deemed to be appropriate will be reviewed by the Bond Counsel and the Chief Financial Officer.
- 7.4 The process of revising and updating Disclosure Documents by each Staff member should not be viewed as mechanical insertions of more current information; everyone involved in the process should consider the need for revisions in the form and content of the sections for which they are responsible.
- 7.5 The standard for accuracy and completeness is that there shall be **no untrue** statement of material fact and no omission of a statement necessary to make the statements made, in light of the circumstances under which they were made, not misleading. All participants in the process should keep this standard in mind.

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

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

Section 8.0 Disclosure-Related Document Retention Practices.

- 8.1 Consistent with JEA's Continuing Disclosure Undertakings, the following documents shall be maintained for the later of five years or the period of time required by JEA's records management or records retention program:
 - Annual Continuing Disclosure Filings
 - Bond Issue Bound Books or CD-ROMs containing bond issue documents
 - Bond Issue Executed Documents
 - Disclosure Documents
 - Investor Materials
 - JEA Financial Statements related to bonds
 - Note Issue Bound Books or CD-ROMs containing note issue documents
 - Note Issue Executed Documents
 - Rating Agency Presentation Materials
 - Records of all disclosure activities, including but not limited to telephone calls, emails and other inquiries from investors
 - Unaudited Quarterly and Annual Financial Statements Audited by Outside Auditing Firm

Section 9.0 Role of Bond Counsel

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

JEA

DISCLOSURE POLICIES AND PROCEDURES

DATED: May 19, 2015

AMENDED: March 18, 2019

INTRODUCTION

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

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

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

Section 1.0 Definitions

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

"Annual Disclosure Report" means the Electric System Annual Disclosure Report or the Water and Sewer System Annual Disclosure Report, as applicable.

"<u>Authorized Officer</u>" means the Managing Director and Chief Executive Officer and the Chief Financial Officer.

"Board" shall mean the Board of JEA.

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

"Bonds" shall refer to any bonds, notes or other securities offered by JEA, the disclosure relating to which is subject to the requirements of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934,

review their respective sections to ensure disclosures contained therein are accurate and complete. Staff shall also make any necessary changes and provide them to Finance Staff to incorporate such changes into updated drafts of the Annual Disclosure Reports. The initial distribution of the sections of the Annual Disclosure Reports to Staff described in the preceding sentences shall be made no later than February 28th of each calendar year.

- 3.2 Finance Staff shall be responsible for directly researching any updates for certain information included in the Annual Disclosure Reports, e.g., service area/demographic information as reported in U.S. Census Bureau and State of Florida economic websites and operational statistics and financial results as reported in the fiscal year's audited financial statements and published annual report ("Annual Report") of JEA.
- 3.3 External sources shall be contacted to provide input and any necessary updates with respect to certain other subject areas of each Annual Disclosure Report, e.g., The Energy Authority and their counsel, City of Jacksonville with respect to pension, city contributions, etc., the Office of General Counsel with respect to litigation issues, the local Chamber of Commerce with respect to some service area information and surveys, etc. Finance Staff shall keep written records of the request and transmittal of the information reviewed and submitted by such parties.
- 3.4 Information in each Annual Disclosure Report of the type contained under the captions "Schedules of Debt Service Coverage" and "Management's Discussion of Electric System Operations," "Management's Discussion of Water and Sewer System Operations" and "Management's Discussion of District Energy System Operations", as applicable (collectively, the "Coverage and Operating Information"), shall be prepared by the Finance Staff and reviewed by the Financial Accounting and Reporting Staff and the Chief Financial Officer. The Financial Accounting and Reporting Staff and Finance Staff shall consult with Staff with specific knowledge of various elements of the Coverage and Operating Information and Bond Counsel as they deem appropriate.
- 3.5 Once revised in accordance with the procedures described in Sections 3.1 through 3.4 above, drafts of the Annual Disclosure Reports shall be distributed to Staff, including the Managing Director and Chief Executive Officer and senior leadership team for review and comment, particularly with the President And Chief Operating Officer, Chief Financial Officer, Vice President/and General Manager—Electric, Energy, Vice President and General Manager, Water and Wastewater Systems, Vice President/General Manager Water Sewer and District Energy Systems and Water Planning, Chief Public and Shareholder Affairs Officer and Office of General Counsel representative reviewing the entire documents and certain other members of the JEA senior leadership team (e.g., Vice President and Chief Compliance Officer, Vice President and Chief Human Resources Officer) as determined by the Chief Financial Officer focusing on particular areas assigned to them. Finance Staff and Staff shall review multiple drafts of the Annual Disclosure Reports and the Managing Director and Chief Executive Officer, President and Chief Operating Officer, Chief Financial Officer, Vice President/And General Manager—Electric,

Energy, Vice President and General Manager, Water and Wastewater Systems, Vice President/General Manager Water-Sewer and District Energy Systems and Water Planning, Chief Public and Shareholder Affairs Officer and Office of General Counsel representative shall provide their signoff via email or in another writing.

- 3.6 The audited financial statements of JEA shall be included in the Annual Disclosure Reports in accordance with JEA's Continuing Disclosure Undertakings and as required by Rule 15c2-12.
- 3.7 After completing the procedures outlined in Section 3.1 through 3.6 above, drafts of the Electric System Annual Disclosure Report and the Water and Sewer System Annual Disclosure Report shall be provided to Board members at or prior to the regularly scheduled Board meeting that is one month prior to the meeting at which they will be asked to authorize the dissemination and use of the Annual Disclosure Reports. These drafts include the audited financial statements and all appendices. The Chief Financial Officer and Finance Staff will schedule times within this period when Board members may discuss any questions or comments to such Annual Disclosure Reports.
- 3.8 The Chair, Vice Chair or Secretary of the Board and the Managing Director and Chief Executive Officer shall approve the Annual Disclosure Reports and authorize their use and public dissemination by Finance Staff in writing.
- 3.9 JEA's Bond Counsel shall file each of the Electric System Annual Disclosure Report and the Water and Sewer System Annual Disclosure Report on EMMA upon the written direction of Finance Staff which direction may be provided to Bond Counsel via email. JEA staff shall then post each of the Annual Disclosure Reports on JEA's website and remove the previous year's Annual Disclosure Reports from JEA's website. While it is the intent of Finance Staff to file the Electric System Annual Disclosure Report and the Water and Sewer System Annual Disclosure Report simultaneously, such Annual Disclosure Reports may be filed as soon as they are completed as determined by the Chief Financial Officer, but in any event before June 1 of each year as required by the Continuing Disclosure Undertakings.

Section 4.0 Official Statement Review and Disclosure Processes

- 4.1 The Treasurer, with the assistance of Finance Staff, shall identify those persons who, for a particular financing, are appropriate to assist Bond Counsel, the underwriter(s), underwriters' counsel, JEA's financial advisor (collectively, the "Working Group") and appropriate Staff in the preparation and review of the related Disclosure Documents.
- 4.2 The Treasurer, Finance Staff or a member of the Working Group, as applicable, shall prepare a timeline in connection with the preparation and review of the Disclosure Documents. Such timeline shall be delivered by the Treasurer or Finance Staff to the Working Group and JEA's outside auditors so that they are apprised of the JEA's schedule for publishing such Disclosure Documents. The timeline for any particular bond financing for which Official Statements will be prepared shall vary

- 4.9 The Chief Financial Officer, Finance Staff, Vice President General Manager Electric Systems, Energy or Vice President General Manager, Water-Sewer and District Energy Wastewater Systems, as applicable, and Chief Public and Shareholder Affairs Officer shall provide their signoff on the preliminary Official Statement via email or in another writing prior to the printing or posting of a preliminary Official Statement.
- 4.10 Underwriters' Counsel shall provide written discussion topics or questions in advance of the due diligence conference call, to the extent practical, to permit Finance Staff time for response from required Staff, to prepare for the due diligence session and to consider additional matters they deem material to the offering. The due diligence session shall not be limited to the list of written topics or questions or other questions solely from Underwriters' Counsel and may include any other topics deemed relevant by Finance Staff, JEA's financial advisor, Bond Counsel, underwriters counsel or the underwriters. Bond Counsel, JEA's financial advisor and the underwriters and underwriters' counsel shall participate in such due diligence session. Copies of the questions and the responses should be included by the Finance Staff in the files relating to the bond transaction.
- 4.11 If required by Rule 15c2-12 or otherwise, the Treasurer shall sign a certificate to the effect that the preliminary offering document or other disclosure document is deemed final as of its date other than information allowed to be omitted under Rule 15c2-12(b)(1).
- 4.12 At the time of the sale of the Bonds the Treasurer, in conjunction with Finance Staff and Bond Counsel, shall prepare a final Official Statement and satisfy themselves that based on the information provided to them in accordance with these Disclosure Policies at the time of sale such Official Statement is in satisfactory form and that no additional disclosure is required.
- 4.13 Annual audited JEA financial statements shall be incorporated by reference or included into the Disclosure Documents. Management's Discussion of Operations with respect to the Electric System's or the Water and Sewer System's Schedules of Debt Service Coverage, as applicable, for the most recent JEA unaudited quarterly reporting period shall be included in the Official Statements if available and deemed by JEA, Bond Counsel and the underwriter(s) and underwriters' counsel to be material.
- 4.14 Before the printing of any preliminary or final Official Statement the Treasurer or a member of Finance Staff designated by the Treasurer and Bond Counsel shall obtain confirmations from the Office of General Counsel, by e-mail or otherwise, that they know of no material litigation that has been filed (or threatened with a reasonable likelihood of being filed) against JEA since the diligence session and know of no material change that is required to be reflected in the Recent Developments or any other heading of the Disclosure Document.



INTER-OFFICE MEMORANDUM

February 22, 2019

SUBJECT: QUARTERLY AUDIT SERVICES UPDATE

FROM: Aaron F. Zahn, Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair

John Campion

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) Internal Audit; (2) Enterprise Risk Management and (3) Forensic Audit and Investigations. The Internal Audit Group reviews internal control processes and ensures that departments maintain compliance with operating procedures and regulations. JEA's Enterprise Risk Management (ERM) Program identifies, assesses, measures, monitors and actively manages risk. The Forensic Audit and 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/TEH/SVT



Audit Services Groups

- Enterprise Risk Management (ERM) pp. 3-6
- Internal Audit pp. 7-12
- Forensic Audit & Investigations pp. 13-16

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Enterprise Risk Management (ERM)

Elements of a Successful Risk Management Program

- Understanding the concept of risk
- Integration and tone at the top
- Meaningful business discussions
- Collaboration and teamwork
- Emphasis on culture
- Relatively simple process

The Future of ERM

What Has Worked for Us?

- Mature process (12+ years); highly regarded
- Identification & development of TCRs
- Solid tone at the top
- Demonstrated business success

Next Generation

- Program refreshed to consider both relative and absolute scoring
- · Relative scoring analysis resulted in new scoring
- With rescoring complete, next efforts will focus on integration with financial modeling
- Employing Key Risk Indicators

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The Future of ERM

Top Corporate Risks (TCRs)

Tier One Risks				
Risk Name	Risk Score			
E10 - Nuclear Power Portfolio	50			
F01 - Revenues and Expenses Management	28			
CO2 - Physical Security (Facilities Infrastructure Security and Regulatory Compliance)	27			
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SEA Building Community





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Internal Audit Highlights

- This year, JEA's Internal Audit team is leading The Energy Authority (TEA) Member Review for the first time; it is a threeyear lead assignment. With the collaboration of nine audit representatives from TEA's member companies, delivered the first draft to TEA Management on February 12, 2019.
- If there are scope/access restrictions as we are planning the Vogtle Plant review, Internal Audit will replace this project in our FY19 work plan with a review of JEA's GPS/fleet vehicle processes.



FY19 Internal Audit Plan Status

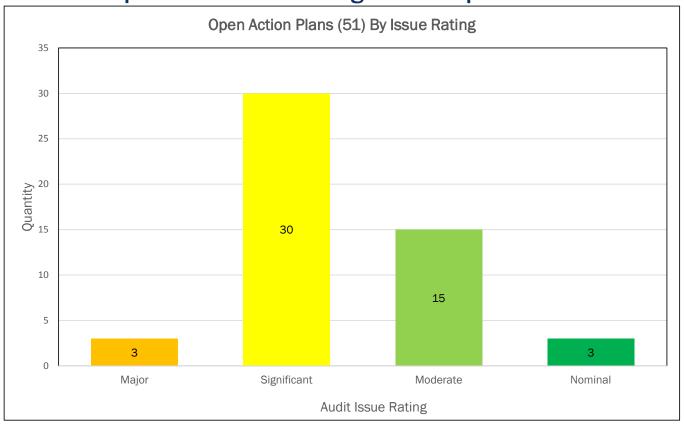
Audit/Project			FY 2013 Hours		First Draft Report		et	111	Section 2		2019 Audit Timelin			line	
	Auditor- in-Charge	Status	Budgeted Hours (adjusted)	Actual Hours	Vill Meet/Met Budget	Audit Estimate due date (italier if sprinted)	Actual Date	Vill Meet/Het Due Date	Comments	Final Draft Report Date	Audit Report Rating	Jan	Feb	на	Ap
2018 Usky Locatel 3rd Party Claims	Troy England (TE)	Final Report Issued	0	24		8/7/2018	10/12/2018	•	Challenges in an overlated F110 audit extended some work into F12019. Over all time estimate was 360 hours, actual hours totalled 464 between F110 and 19.	1914/2018	Satisfactory				
2018 Tan Administration	Andrev Shelley (AS)	Final Draft Issued	0	56		10/16/2018	10/26/2018	0	Challenges in an unveilated FYRE audit extended some work into FY2019. Over all time estimate was 340 hours, actual hours totalled 210 between FYRE and 19.	12/5/2018	Excellent				
2018 Technology Infrastructure	Rashid Britain (RE)	Final Draft Issued	20	38		8/2/2018	1920/2018	•	Adjusted due to additional TEA Audit work completed in F 1298. Complex audit with approximately methor (I2) issues. Overall, time estimate was 410 hours, actual hours totaled 524 between F198 and 18.	1/14/2019	Satisfactory				
2018 Electric Production Engineering and Outages	Gaughan (LG)	Final Draft Issued	100	196		199/2018	12/4/2018		Adjusted due to additional TEA audit planning during FY298. Overall, audit time estimate was 400 hours, actual hours totalled 433 between FY98 and 18.	V3/2019	Satisfactory			П	
2018 Dinamer Recovery Follow-Up	FIB	Final Draft Issued	50	90		9/24/2016	12/3/2018	•	Adjusted due to additional TEA Audit work completed in FY2010. Overall, audit time estimate was 214 hours, actual hours totalled 210 between FY10 and FY10.	V14/2019	Excellent				
2018 WWW Reuse and Treatment	David Arnold (DA)	First Draft Issued	115	261	•	1913/2018	12/18/2018		Audit over budget due to new VrNVV Director needing additional time to provide annivers and document ation. Some etersiting was necessary based on new documentation provided. Overall, audit time estimate was 445 hours, acoust hours totalled 414 between FYSI and FYTS.		Satisfactory				
2018 Response and Environmental Programs	TE	First Draft Issued	160	303	•	12/12/2018	1/22/2019	•	Audit over budget due to new additional work needed to validate entent of audit issue. Overall, audit time estimate was 3% hours, actual hours totalled 374 between FYB and FYB.		Satisfactory				
2018 Information Security Follow-Up	R8	Reporting	160	167	0	12/17/2018			Auditor concurrently worked on two additional audits. Overall, audit time estimate was 204 hours, actual hours tonaled 57t between FVIBI and IBI.						
.EAP(2018 Performance Pay Audit	TE	Completed	100	74	0	NA	NA	NA	Memo issued for JEA Performance Payreview on November 7, 2016.	197/2018	NA				
Branch Follow-Up	AS	First Draft Issued	330	324	0	1/7/2019	929/2019		Fleport delay due to additional unrelated audit work.		Satisfactory				
TEA Audit	LG. RB & TE	Fast Draft Issued	815	346		1/31/2019	2/12/2019	0	Slight delay with report issuance due to issue rework and mention auditor report review.		Excellent				
Customer Solutions & Market Development	DA	Teiring	400	85		3/30/2019									
Talent Acquisition	AS	Testing	400	59		4/17/2013									
Byproducts	LG	Planning	400	17					N.						
Project Management Office	FIS .	Planning	400	7											
District Energy Operations	TE	Planning	400	17	0										
Meter Operations Follow-Up	DA	Planning	300	7	0										
FY2019 Action Plan Follow-Up	AlSulf	Ongoing	470	320					Action Plans are updated quarterly.						

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Congleted Audit In-Progress Audit

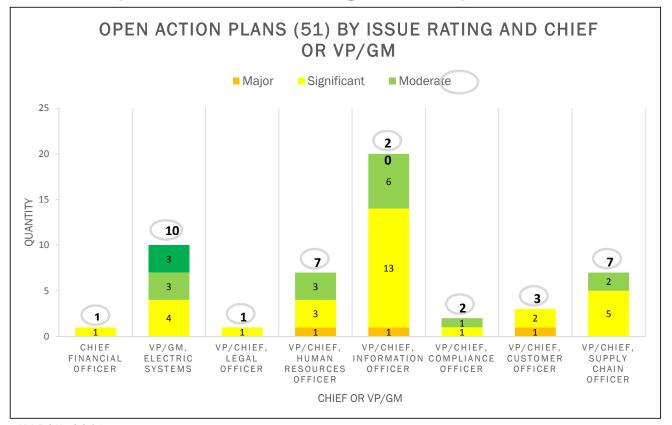
MARCH 2019

Open Audit and Investigations Report Issues



MARCH 2019

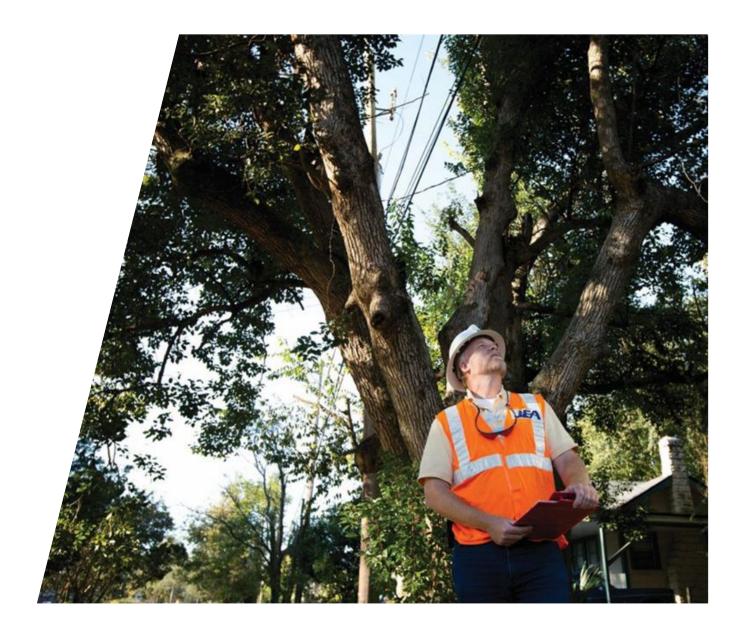
Open Audit and Investigations Report Issues



Open Audit and Investigations Report Issues – Major Rating

VP/Chief	Director / (Audit Name)	Issue Observation	Action Plan	Current Due Date	Action Plan Status Comments
VP/Chief, Information Officer	Director, Enterprise Architecture (Information Security)	Audit noted that a Data Management Policy and Plan currently do not exist to guide the storage, protection and destruction of sensitive information.	Audit recommends that a Data Management Policy and Plan be created based on the findings of the current data classification project.	9/30/19	With the assistance of an outside vendor, Management will complete a Data Governance readiness assessment. An implementation plan will be created based on the results of the assessment.
VP/Chief, Customer Officer	Director, Customer Field & Meter Services (Meter Operations)	Audit reviewed sewer flow metering operations and noted the following: 1-4 (Mitigations Completed). 5. Meter Specialists are not trained in the calibration and operation of sewer flow meters.	Management will complete the following: 1-4 (Mitigations Completed). 5. Revision of Job Specs and Training.	2/15/19	Extension granted for new timeline regarding meter technicians training on sewer flow meter calibration.
VP/ Chief Human Resources Officer	Director, Organizational Effectiveness & Payroll (Personnel Out Process)	Audit noted a lack of an overall monitoring and oversight process to ensure that the POP process is working as intended, and to confirm that sub-processes related to physical and information security are completed.	Management will: (1) Create and manage an automated report to security that details employees who are running out leave. (2) Create and manage POP Scorecard that details POP accuracy to share with SLT on a quarterly basis.	3/31/19	Organizational Effectiveness sent out a communication to all employees via Compass with a POP Scorecard detailing POP accuracy. Extension was granted to verify the sustainability of the new process.





MARCH 2019

Forensic Audit & Investigations

Highlights

- New group name replaces Ethics Investigations & Audit, and more closely correlates with the group's analyses of financial and operational evidence.
- We have begun tracking management's action plans for open Office of the Inspector General (OIG) report recommendation action items, similar to Internal Audit's approach.

Forensic Audit & Investigations

Investigative Case Statistics – 1Q19

Open Cases 9/30/2018	Cases Opened Q1 FY19	Cases Closed Q1 FY19	•					
12	10	6	16					
Categories For Cases Opened During Q1 FY19								
Discrimination/Harassment								
General Inquiries								
Fraud/Waste/Abuse								
Conflict of Interest/Ethics Matters								
Total								



Summary of Closed Cases – 1Q19

Reporting Source	Allegation	Investigation Results
Internal / Ethics Hotline (EHL)	JEA-17-03-0004/JEA-17-04-0002-Complaints were received alleging an employee was conducting a personal secondary business while at work. Additionally, the employee may not be working the required number of hours. One of the complainants also indicated this employee was involved in overseeing the employee gym, and an audit should be conducted for the sales that occur at the gym.	The investigation concluded the employee violated JEA's Secondary Employment and Acceptable Use Policies. The allegation the employee may not be working the required hours was unsubstantiated. An investigation into the use of gym funds determined the employee used the funds for personal use, for which the employee was subsequently arrested.
External	JEA-18-06-0003/JEA-06-0004-The caller reported a JEA vehicle was routinely parked during the day in a "no parking" area downtown with two employees going into JEA's building where the parking garage and gym are located. The caller was concerned these employees may not be working their required hours.	A thorough review found numerous instances where these employees were not working during their scheduled work hours. As a result, both employees resigned and agreed to forfeit annual leave hours to repay restitution owed to JEA.
EHL	JEA-18-07-0003 – An anonymous complainant alleged discrimination, retaliation, harassment and bullying by management and a supervisor.	Due to the nature of the claims, Labor Relations was contacted to assist with this case. A full investigation concluded the allegations could not be substantiated; however, there was an opportunity for improvement relating to the business unit providing clear, concise and well communicated procedures. Additionally, it was recommended a third party vendor be engaged to conduct focus groups to ascertain the overall workplace environment and provide insights related to addressing employee concerns and productivity of the unit.
EHL	JEA-18-10-0004 – An anonymous caller alleged Procurement awarded a contract to an unqualified bidder.	The investigation concluded with no evidence to indicate unethical behavior by Procurement related to the informal bid.

MARCH 2019





INTER-OFFICE MEMORANDUM

February 5, 2019

SUBJECT: ETHICS OFFICER QUARTERLY REPORT

FROM: Aaron F. Zahn, Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair

John Campion

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 city-wide Ethics Coordination Council. The Finance and Audit Committee 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, ensuring compliance with business and governmental regulations.

RECOMMENDATION:

This item is for information only.

Aaron F. Zahn, Managing Director/CEO	

AFZ/TEH/WMS



Ethics Officer Report Walette Stanford

March 2019

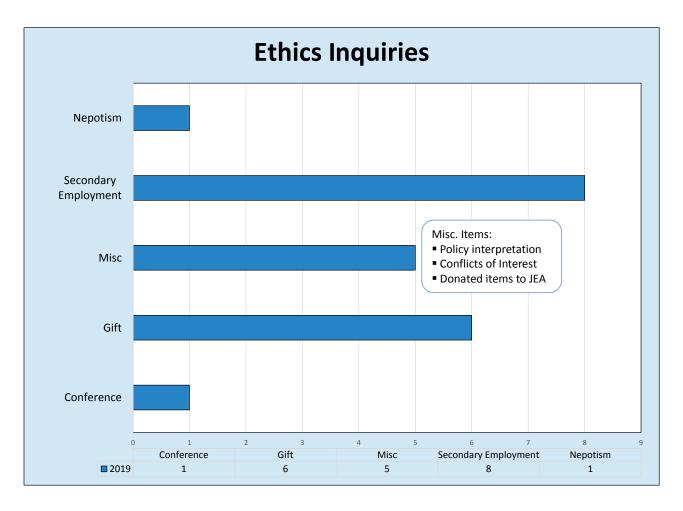


"Whenever you do a thing, act as if all the world were watching."

- Thomas Jefferson

March 2019

Ethics Officer Cases



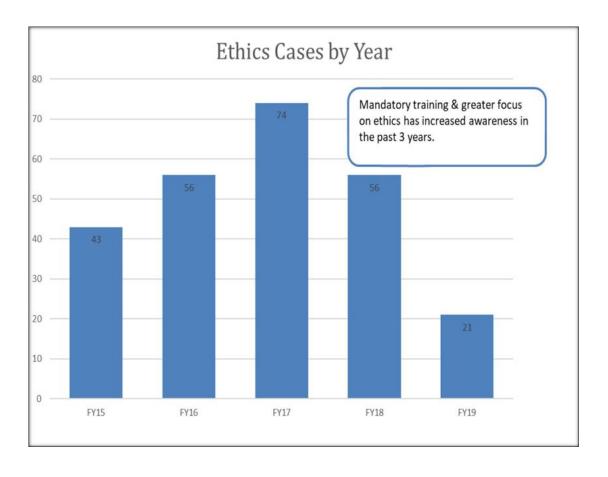


"It takes 20 years to build a reputation and five minutes to ruin it"

- Warren Buffet

March 2019

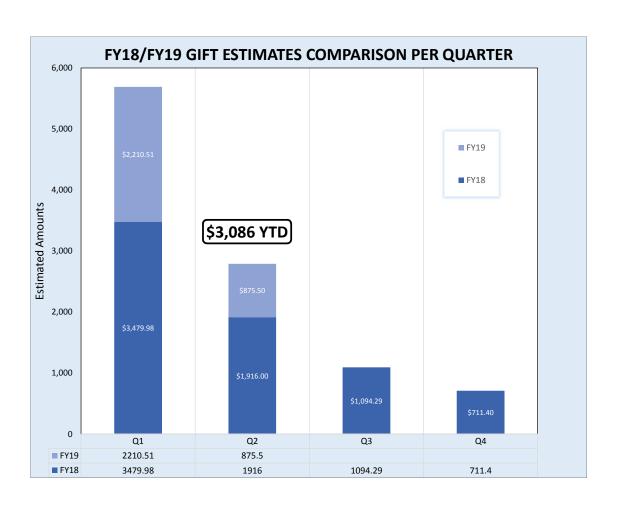
Ethics Officer Cases





JEA's Corporate Ethics Policy and the City of Jacksonville (COJ) Ethics Ordinance prohibit employees from accepting gifts valued over \$100 from service providers and vendors.







"What you do makes a difference, and you have to decide what kind of difference you want to make"

- Jane Goodall





- Companywide Annual Business Ethics Training rolled out on March 1st
- Revamping the Ethics tracking database on SharePoint.
- Conducting a nepotism review in March based on procedure compliance.
- Updating JEA Gifts and Secondary Employment policies based on city ordinance updates.



INTER-OFFICE MEMORANDUM

February 14, 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

John Campion

BACKGROUND:

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

DISCUSSION:

Attached are the reserve fund schedules referenced above for the period ending December 31, 2018.

RECOMMENDATION:

No action required; provided for information only.

Aaron F. Zahn, Managing Director/CEO

AFZ/RFW/JEO/BHG



Quarterly Reserve Report

For the First Quarter Ending
December 2018



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

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

	Elec	ctric Syst	tem				
	Act Fiscal 20	Year	Actual Fiscal Year 2017		Actual Fiscal Year 2018	Projected Fiscal Year 2019	<u>Detail</u> <u>Page #</u>
Unrestricted							
Operations/Revenue Fund	\$	56,665 \$	54,800) \$	85,482	\$ 43,854	
Debt Management Strategy Reserve Self Insurance Reserve Fund		-	-		-	-	
Property		10,000	10,000		10,000	10,000	3
Employee health insurance		11,179	9,21	ļ	8,138	8,138	4
Rate Stabilization		400 445	424 744	_	74.276	47.770	-
• Fuel		180,115	131,710		74,376	47,779	5
DSM/conservationEnvironmental		3,515	3,69		3,470	3,646	6 7
EnvironmentalDebt Management		29,975 42,126	36,417 29,884		42,163 29,884	47,375 29,884	8
Non-Fuel Purchased Power		34,400	25,189		53,493	29,884 57,348	8 9
Environmental		18,556	17,67		16,818	16,818	10
Customer Deposits		41,084	42,10		44,242	44,218	11
Total Unrestricted		427,615	360,692		368,066	309,060	
Total Official		427,013	300,037		300,000	303,000	
Days of Cash on Hand (2)		270	234	1	219	127	
Restricted							
Debt Service Funds (Sinking Funds)		136,232	167,08	7	159,656	148,745	12
Debt Service Reserve Funds		60,582	60,582	2	60,582	60,582	13
Renewal and Replacement Funds/OCO (3)		192,179	201,368	3	189,922	49,680	14

203

778,429 \$

410,363

429,037

789,729 \$

15

259,007

568,067

	Water an	d Waste	wate	r System			
Unrestricted							
Operations/Revenue Fund	\$	42,948	\$	69,232	\$ 43,461	\$ 16,963	
Rate Stabilization							
 Debt Management 		20,290		14,209	14,209	14,209	16
 Environmental 		1,699		5,214	12,914	13,397	17
Customer Deposit		13,910		15,086	15,616	15,559	18
Total Unrestricted		78,847		103,741	86,200	60,128	
Days of Cash on Hand (2)		528		496	454	106	
Restricted							
Debt Service Funds (Sinking Funds)		65,410		82,208	81,241	83,293	19
Debt Service Reserve Funds		108,086		107,488	102,850	68,648	20
Renewal and Replacement Funds		179,431		150,319	141,415	10,578	21
Environmental Fund [Capital Projects]		2,659		1,839	1,159	1,211	22
Construction Funds		152		15	284	17,754	23
Total Restricted		355,738		341,869	326,949	181,484	
Total Water & Sewer System	\$	434,585	\$	445,610	\$ 413,149	\$ 241,612	

388,993

816,608 \$

Construction Funds

Total Electric System

Total Restricted

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

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

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

 $^{(4) \} Balance\ includes\ \$20,000\ of\ Water\ \&\ Sewer\ System\ Renewal\ and\ Replacement\ Reserve\ for\ MADS\ calculation.$

Funds Established Per the Bond Resolutions

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

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

Electric System Self Insurance - Property

For the First Quarter Ending December 31, 2018

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.

		Current	Activity				Project	ed Activity	
(In Thousands)	Quarte	r-End	Year	-to-Date		<u>2019</u>		2020	2021
Opening Balance Additions: Contributions	\$	10,000	\$	10,000	\$	10,000	\$	10,000	\$ 10,000
Sub-total	\$		\$		\$		\$		\$
Withdrawals									
Ending Balance	\$	10,000	\$	10,000	\$	10,000	\$	10,000	\$ 10,000
			His	storical Ac	tivity				
	<u>20:</u>	<u>14</u>	<u> 2</u>	<u> 2015</u>		<u>2016</u>		<u>2017</u>	2018
Opening Balance Additions: Contributions	\$	10,000	\$	10,000	\$	10,000	\$	10,000	\$ 10,000
Sub-total Withdrawals	\$		\$	<u> </u>	\$		\$	-	\$
Sub-total Ending balance	\$	10,000	\$	10,000	\$	10,000	\$	10,000	\$ 10,000
v 14 −−−−−−−−−−−−−−−−−−−−−−−−−−−−−−−−−−−									
10									
8									
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	2014	1 1 1 1	2015	1 1 1 1 1 1	2	016		2017	 2018

Observations

 $\bullet \ Reserve/Fund \ Authorization: \ Budget \ Appropriation.$

Electric System Self Insurance - Employee Health Insurance

For the First Quarter Ending December 31, 2018

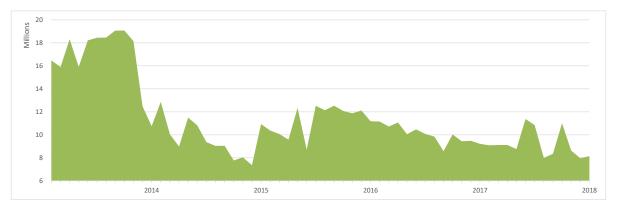
Definitions and Goals

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.

		Current	Activity	У	Projected Activity					
(In Thousands)	Qua	arter-End	Year	r -to-Date		2019		2020		2021
Opening Balance Additions:	\$	8,138	\$	8,138	\$	8,138	\$	8,138	\$	8,138
Employee Contributions		1,520		1,520		1,596		1,676		1,760
Retiree & Other Contributions		1,653		1,653		1,752		1,857		1,968
Employer Contributions		6,509		6,509		32,168		34,667		37,372
Sub-total	\$	9,682	\$	9,682	\$	35,516	\$	38,200	\$	41,100
Withdrawals:										
Payments for Claims		8,297		8,297		33,408		36,029		38,863
Actuary & Other Payments		699		699		2,108		2,171		2,237
Sub-total	\$	8,996	\$	8,996	\$	35,516	\$	38,200	\$	41,100
Ending Balance	\$	8,824	\$	8,824	\$	8,138	\$	8,138	\$	8,138

Historical Activity

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	2018
Opening Balance	\$ 15,914	\$ 10,749	\$ 10,937	\$ 11,179	\$ 9,214
Additions:					
Employee Contributions	4,573	5,447	5,460	5,862	6,158
Retiree & Other Contributions	5,188	5,141	5,694	6,443	7,273
Employer Contributions	14,252	22,220	24,231	19,004	18,378
Sub-total	\$ 24,013	\$ 32,808	\$ 35,385	\$ 31,309	\$ 31,809
Withdrawals:					
Payments for Claims	27,157	30,408	32,946	30,994	30,933
Actuary & Other Payments	2,021	2,212	2,197	2,280	1,952
Sub-total	\$ 29,178	\$ 32,620	\$ 35,143	\$ 33,274	\$ 32,885
Ending balance	\$ 10,749	\$ 10,937	\$ 11,179	\$ 9,214	\$ 8,138



Maximum Balance: Minimum Balance: 19,072 7,359 Average Balance:

11,382

Observations

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

Electric System Rate Stabilization - Fuel Management

For the First Quarter Ending December 31, 2018

Definitions and Goals

Minimum Balance:

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

		Current	Activit	У	Projected Activity						
(In Thousands)	Qu	arter-End	Yea	ar -to-Date		2019		2020		<u>2021</u>	
Opening Balance	\$	74,376	\$	74,376	\$	74,376	\$	47,779	\$	60,377	
Additions: Contributions								12,598		13,754	
Sub-total	\$		\$	-	\$	-	\$	12,598	\$	13,754	
Withdrawals: Withdrawals		13,876		13,876		26,597					
Sub-total	\$	13,876	\$	13,876	\$	26,597	\$		\$		
Ending Balance	\$	60,500	\$	60,500	\$	47,779	\$	60,377	\$	74,131	
			Н	istorical Ad	ctivity						
		<u>2014</u>		2015		2016		2017		2018	
Opening Balance	\$	108,289	\$	105,457	\$	150,742	\$	180,115	\$	131,716	
Additions: Contributions		22,496		95,224		85,979		2,845			
Sub-total	\$	22,496	\$	95,224	\$	85,979	\$	2,845	\$	-	
Withdrawals: Withdrawals								51,244		57,340	
Fuel Rebate Credit		25,328		49,939		56,606		31,244		37,340	
Sub-total	\$	25,328	\$	49,939	\$	56,606	\$	51,244	\$	57,340	
Ending balance	\$	105,457	\$	150,742	\$	180,115	\$	131,716	\$	74,376	
200											
180 160											
140											
120											
80											
60											
40											
20											
-	2014		2015	5		2016		2017		2018	
Maximum Balance:		182,960			Av	erage Balance:		127,473			

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

Observations

63,814

Electric System Rate Stabilization - Demand Side Management (DSM)

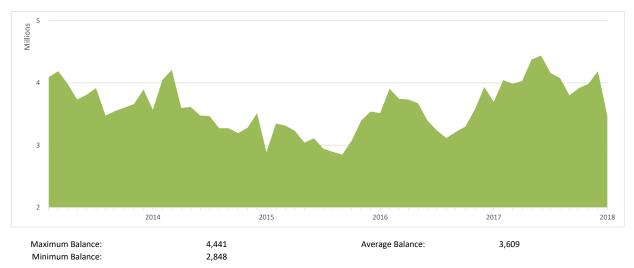
For the First Quarter Ending December 31, 2018

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.

		Current Activity				Projected Activity						
(In Thousands)	Qua	Quarter-End		Year -to-Date		2019		<u>2020</u>		2021		
Opening Balance Additions:	\$	3,470	\$	3,470	\$	3,470	\$	3,646	\$	3,631		
Contributions		1,573		1,573		7,203		6,847		6,847		
Sub-total	\$	1,573	\$	1,573	\$	7,203	\$	6,847	\$	6,847		
Withdrawals:												
Withdrawals		953		953		7,027		6,862		6,862		
Sub-total	\$	953	\$	953	\$	7,027	\$	6,862	\$	6,862		
Ending Balance	\$	4,090	\$	4,090	\$	3,646	\$	3,631	\$	3,616		

		Hi	istorical Ad	tivity			
	2014		<u>2015</u>		<u>2016</u>	2017	2018
Opening Balance	\$ 3,891	\$	3,570	\$	2,886	\$ 3,515	\$ 3,695
Additions: Contributions	6,929		7,059		7,232	6,685	7,088
Sub-total	\$ 6,929	\$	7,059	\$	7,232	\$ 6,685	\$ 7,088
Withdrawals: Withdrawals	7,250		7,743		6,603	6,505	7,313
Sub-total	\$ 7,250	\$	7,743	\$	6,603	\$ 6,505	\$ 7,313
Ending balance	\$ 3,570	\$	2,886	\$	3,515	\$ 3,695	\$ 3,470



Observations

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

Electric System Rate Stabilization - Environmental

For the First Quarter Ending December 31, 2018

Current Activity

16,639

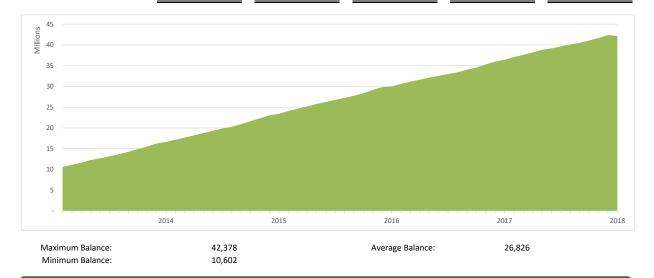
Definitions and Goals

Ending balance

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.

Projected Activity

(In Thousands)	Qu	arter-End	Yea	ar -to-Date		2019	2020	<u>2021</u>
Opening Balance	\$	42,163	\$	42,163	\$	42,163	\$ 47,375	\$ 52,375
Additions: Contributions		1,748		1,748		7,672	7,500	7,500
Sub-total	\$	1,748	\$	1,748	\$	7,672	\$ 7,500	\$ 7,500
Withdrawals: Withdrawals		875		875		2,460	2,500	2,500
Ending Balance	\$	43,036	\$	43,036	\$	47,375	\$ 52,375	\$ 57,375
			Н	istorical Ad	ctivity			
		2014	Н	istorical Ac	ctivity	2016	2017	2018
Opening Balance	\$	2014 10,023	Н		stivity	2016 23,430	\$ 2017 29,975	\$ 2018 36,417
Opening Balance Additions: Contributions	\$			2015			\$	\$ · · · · · · · · · · · · · · · · · · ·
Additions:	\$	10,023		2015 16,639		23,430	\$ 29,975	\$ 36,417
Additions: Contributions		10,023 7,395	\$	2015 16,639 7,586	\$	23,430 7,700	29,975 7,384	 36,417 7,572



23,430

29,975

36,417

Observations

• Rate Stabilization Fund for Environmental began in June 2010.

42,163

Electric System Rate Stabilization - Debt Management

For the First Quarter Ending December 31, 2018

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 IEA. 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.

	Curren	t Activity		Projected Activity	
(In Thousands)	Quarter-End	Year -to-Date	2019	<u>2020</u>	<u>2021</u>
Opening Balance Additions: Contributions	\$ 29,884	\$ 29,884	\$ 29,884	\$ 29,884	\$ 29,884
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals: Withdrawals					
Sub-total Ending Balance	\$ - \$ 29,884	\$ - \$ 29,884	\$ - \$ 29,884	\$ - \$ 29,884	\$ - \$ 29,884
		Historical A	ctivity		
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	2018
Opening Balance Additions: Contributions	\$ 42,126	\$ 42,126	\$ 42,126	\$ 42,126	\$ 29,884
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals: Withdrawals				12,242	
Sub-total Ending balance	\$ - \$ 42,126	\$ - \$ 42,126	\$ - \$ 42,126	\$ 12,242 \$ 29,884	\$ - \$ 29,884
55 Sugar Sug					
30					
25					
20	2014	2015	2016	2017	2018
Maximum Balance: Minimum Balance:	54,126 29,884		Average Balance:	38,445	
		Observati	ions		

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

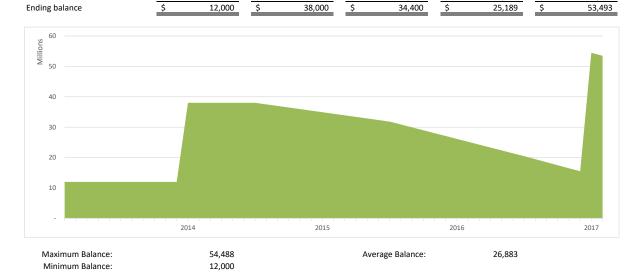
Electric System Rate Stabilization - Non-Fuel Purchased Power

For the First Quarter Ending December 31, 2018

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.

		Current	Activit	У			Project	ed Activity	
(In Thousands)	Qua	arter-End	Yea	r -to-Date		<u>2019</u>		2020	<u>2021</u>
Opening Balance	\$	53,493	\$	53,493	\$	53,493	\$	57,348	\$ 35,740
Additions: Contributions						17,566			
Sub-total	\$		\$		\$	17,566	\$		\$ -
Withdrawals:									
Withdrawals		2,966		2,966		13,711		21,608	34,325
Ending Balance	\$	50,527	\$	50,527	\$	57,348	\$	35,740	\$ 1,415
			H	istorical Ad	tivity				
		<u>2014</u>		2015		<u>2016</u>		2017	2018
Opening Balance Additions:	\$		\$	12,000	\$	38,000	\$	34,400	\$ 25,189
Contributions		12,000		26,000					40,000
Sub-total	\$	12,000	\$	26,000	\$	<u> </u>	\$		\$ 40,000
Withdrawals: Withdrawals						3,600		9,211	11,696
Sub-total	\$		\$	<u>-</u>	\$	3,600	\$	9,211	\$ 11,696



Observations

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

Electric System Environmental Reserve

For the First Quarter Ending December 31, 2018

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.

		Current	Activi	ty			Projec	ted Activity		
(In Thousands)	Qua	arter-End	Ye	ar -to-Date		2019		<u>2020</u>		<u>2021</u>
Opening Balance Additions: Contributions	\$	16,818	\$	16,818	\$	16,818	\$	16,818	\$	16,818
Sub-total	\$		\$	-	\$		\$		\$	
Vithdrawals: Withdrawals										
nding Balance	\$	16,818	\$	16,818	\$	16,818	\$	16,818	\$	16,81
			ŀ	listorical Ad	ctivity					
		<u>2014</u>		<u>2015</u>		<u>2016</u>		2017		<u>2018</u>
Opening Balance Additions: Contributions	\$	18,662	\$	18,662	\$	18,662	\$	18,556	\$	17,67
Sub-total	\$	<u> </u>	\$		\$		\$	<u> </u>	\$	
Vithdrawals: Withdrawals						106		884		85
Sub-total	\$		\$		\$	106	\$	884	\$	85-
nding balance	\$	18,662	\$	18,662	\$	18,556	\$	17,672	\$	16,81
25										
15										
10										
5										
-	2014		201	15		2016	1 1 1	2017	1 1 1	2018
Maximum Balance: Minimum Balance:		18,662 16,818			Ave	erage Balance:		18,403		

Observations

• The Environmental Reserve began in FY 2008.

Electric System Customer Deposits

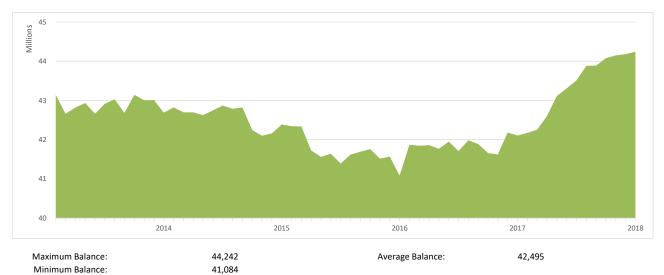
For the First Quarter Ending December 31, 2018

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.

		Current	Activit	У	Projected Activity							
(In Thousands)	Qua	arter-End	Yea	r -to-Date		<u>2019</u>		2020		2021		
Opening Balance Additions: Net Customer Activity	\$	44,242	\$	44,242	\$	44,242	\$	44,218	\$	44,218		
Sub-total	\$	-	\$		\$	-	\$	-	\$	-		
Withdrawals: Net Customer Activity		24		24		24						
Ending Balance	\$	44,218	\$	44,218	\$	44,218	\$	44,218	\$	44,218		
			Н	istorical Ad	tivity							

		ŀ	listorical Ac	tivity			
	2014		2015		2016	2017	2018
Opening Balance Additions:	\$ 44,882	\$	42,688	\$	42,389	\$ 41,084	\$ 42,105
Net Customer Activity						1,021	2,137
Sub-total	\$ 	\$	-	\$	-	\$ 1,021	\$ 2,137
Withdrawals:							
Net Customer Activity	2,194		299		1,305		
Sub-total	\$ 2,194	\$	299	\$	1,305	\$ _	\$ -
Ending balance	\$ 42,688	\$	42,389	\$	41,084	\$ 42,105	\$ 44,242



Electric System Debt Service Sinking Fund

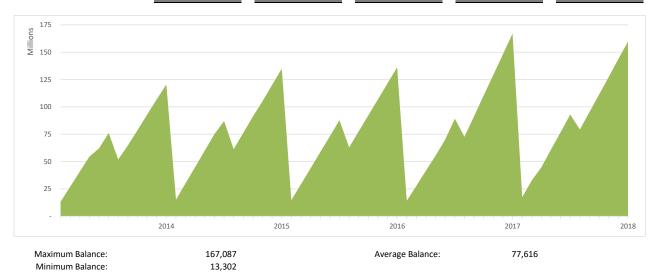
For the First Quarter Ending December 31, 2018

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.

		Current	Activit	ty	Projected Activity						
(In Thousands)	Qu	arter-End	Ye	ar -to-Date		<u>2019</u>		<u>2020</u>		2021	
Opening Balance Additions:	\$	159,656	\$	159,656	\$	159,656	\$	148,745	\$	90,768	
Revenue Fund Deposits		47,418		47,418		194,443		135,183		136,439	
Sub-total	\$	47,418	\$	47,418	\$	194,443	\$	135,183	\$	136,439	
Withdrawals: Principal and Int Payments		161,610		161,610		205,354		193,160		138,975	
Ending Balance	\$	45,464	\$	45,464	\$	148,745	\$	90,768	\$	88,232	

		ŀ	Historical Ad	ctivity			
	2014		2015		<u>2016</u>	<u>2017</u>	<u>2018</u>
Opening Balance Additions:	\$ 101,305	\$	120,458	\$	134,927	\$ 136,232	\$ 167,087
Revenue Fund Deposits	167,340		181,006		177,847	209,450	201,359
Sub-total	\$ 167,340	\$	181,006	\$	177,847	\$ 209,450	\$ 201,359
Withdrawals:							
Principal and Int Payments	148,187		166,537		176,542	178,595	208,790
Sub-total	\$ 148,187	\$	166,537	\$	176,542	\$ 178,595	\$ 208,790
Ending balance	\$ 120,458	\$	134,927	\$	136,232	\$ 167,087	\$ 159,656



- 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.

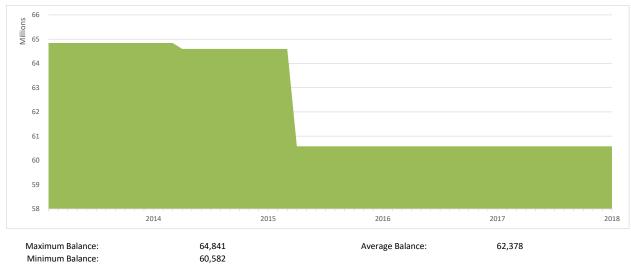
Electric System Debt Service Reserve Account

For the First Quarter Ending December 31, 2018

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.

		Current	Activi	ity			Proje	cted Activity		
(In Thousands)	C	uarter-End	Ye	ear -to-Date		2019		2020		2021
Opening Balance Additions: Proceeds from Bonds	\$	60,582	\$	60,582	\$	60,582	\$	60,582	\$	60,582
Sub-total	\$	-	\$	-	\$	-	\$	-	\$	-
Withdrawals: Release to Revenue Fund										
Ending Balance	\$	60,582	\$	60,582	\$	60,582	\$	60,582	\$	60,582
			ı	Historical Ad	ctivity					
		<u>2014</u>		<u>2015</u>		<u>2016</u>		<u>2017</u>		2018
Opening Balance Additions: Proceeds from Bonds	\$	64,841	\$	64,841	\$	64,595	\$	60,582	\$	60,582
Sub-total	\$		\$		\$		\$		\$	
Withdrawals: Release to Revenue Fund				246		4,013				
Sub-total Ending balance	\$	64,841	\$	246 64,595	\$	4,013 60,582	\$	60,582	\$ \$	60,582



Observations

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

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

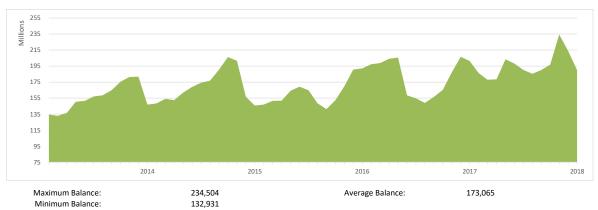
For the First Quarter Ending December 31, 2018

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)	Qı	uarter-End	Yea	ar -to-Date		<u>2019</u>		2020		2021	
Opening Balance	\$	189,922	\$	189,922	\$	189,922	\$	49,680	\$	44,979	
Additions: R&R/OCO Contribution Loans betw Capital Fds		43,113		43,113		205,309 202		259,100		310,117	
Other		10,511		10,511		16,751		5,500		2,000	
Sub-total	\$	53,624	\$	53,624	\$	222,262	\$	264,600	\$	312,117	
Withdrawals: Capital Expenditures Transfers betw Capital Fds Debt Defeasance		95,290		95,290		269,504 93,000		269,301		325,605	
Other											
Sub-total	\$	95,290	\$	95,290	\$	362,504	\$	269,301	\$	325,605	
Ending Balance	\$	148,256	\$	148,256	\$	49,680	\$	44,979	\$	31,491	

		Hi	storical Act	ivity			
	2014		<u>2015</u>		<u>2016</u>	<u>2017</u>	<u>2018</u>
Opening Balance	\$ 140,486	\$	146,910	\$	145,711	\$ 192,179	\$ 201,368
Additions: R&R/OCO Contribution Loans betw Capital Fds	85,639		110,351		200,692	196,589	148,105
Other	4,014		970		3,744	5,074	35,675
Sub-total	\$ 89,653	\$	111,321	\$	204,436	\$ 201,663	\$ 183,780
Withdrawals:							
Capital Expenditures	82,889		112,483		157,201	113,987	181,263
Transfers/loans b/w Capital Fds Debt Defeasance	340		37		765	37,200	
Other					2	41,287	13,963
Sub-total	\$ 83,229	\$	112,520	\$	157,968	\$ 192,474	\$ 195,226
Ending balance	\$ 146,910	\$	145,711	\$	192,179	\$ 201,368	\$ 189,922



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

Electric System Construction / Bond Fund

For the First Quarter Ending December 31, 2018

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.

		Current	Activity				Proje	cted Activit	У	
In Thousands)	Qua	rter-End	Year	-to-Date		2019		2020		2021
Opening Balance Additions: Bond Proceeds Loans betw Capital Fds Other	\$	203	\$	203	\$	203	\$	-	\$	
Sub-total	\$		\$	-	\$	-	\$	-	\$	
Withdrawals:										
Transfers betw Capital Fds Other						203				
Sub-total Ending Balance	\$	203	\$	203	\$	203	\$	-	\$	
			Hist	torical Act	tivity					
		2014	<u> </u>	2015		<u> 2016</u>		<u>2017</u>		2018
Opening Balance Additions: Bond Proceeds Loans betw Capital Fds Other	\$	5,184 3,091 340	\$	42 37	\$	2	\$	429	\$	8
Sub-total	\$	3,431	\$	37	\$	2	\$	429	\$	8
Withdrawals: Capital Expenditures Transfers/loans b/w Capital Fds Other		4,821 3,091 661		75		6		429		6
Sub-total	\$	8,573 42	\$	75 4	\$	6	\$	429	\$	6

Observations

2016

Average Balance:

2017

555

• 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.

2015

4,299

• No new debt issues projected for FY 2019.

Maximum Balance:

Minimum Balance:

2014

2

2018

Water and Sewer System Rate Stabilization - Debt Management

For the First Quarter Ending December 31, 2018

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 expense

in excess	of budget.									
		Current	Activit	ty		ı	Projec	ted Activity	,	
(In Thousands)	Qua	arter-End	Yea	ar -to-Date		2019		2020		2021
Opening Balance Additions: Contributions	\$	14,209	\$	14,209	\$	14,209	\$	14,209	\$	14,209
Sub-total	\$	_	\$	-	\$	-	\$	-	\$	-
Withdrawals: Withdrawals										
Sub-total	\$	-	\$	-	\$	-	\$	-	\$	-
Ending Balance	\$	14,209	\$	14,209	\$	14,209	\$	14,209	\$	14,209
			Н	listorical Ac	tivity					
		2014		2015		<u>2016</u>		2017		2018
Opening Balance Additions: Contributions	\$	20,290	\$	20,290	\$	20,290	\$	20,290	\$	14,209
Sub-total	\$		\$	-	\$		\$	-	\$	-
Withdrawals: Withdrawals								6,081		
Sub-total	Ś	_	Ś		Ś		Ś	6,081	\$	
Ending balance	\$ \$	20,290	\$ \$	20,290	\$	20,290	\$	14,209	\$	14,209
25										

Observations

2016

Average Balance:

2017

18,871

2015

20,290

14,209

Maximum Balance:

Minimum Balance:

2014

2018

Water & Sewer System Rate Stabilization - Environmental

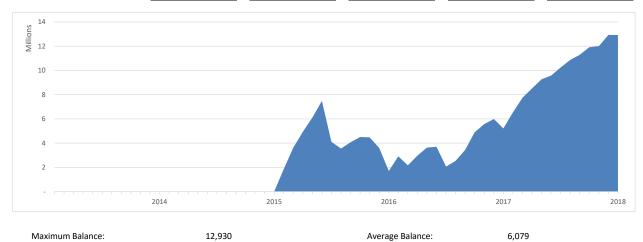
For the First Quarter Ending December 31, 2018

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	у	Projected Activity							
(In Thousands)	Qua	arter-End	Yea	Year -to-Date		2019	<u>2020</u>		<u>2021</u>		
Opening Balance Additions:	\$	12,914	\$	12,914	\$	12,914	\$	13,397	\$	13,397	
Contributions		5,937		5,937		26,423		26,687		26,954	
Sub-total	\$	5,937	\$	5,937	\$	26,423	\$	26,687	\$	26,954	
Withdrawals: Withdrawals		3,633		3,633		25,940		26,687		26,954	
Sub-total	\$	3,633	\$	3,633	\$	25,940	\$	26,687	\$	26,954	
Ending Balance	\$	15,218	\$	15,218	\$	13,397	\$	13,397	\$	13,397	

			Hist	torical Ac	tivity			
	<u>20</u>	014	<u>20</u>) <u>15</u>		2016	2017	2018
Opening Balance Additions:	\$		\$		\$		\$ 1,699	\$ 5,214
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



Observations

• Rate Stabilization Fund for Environmental began in June 2010.

1,699

Minimum Balance:

Water and Sewer System Customer Deposits

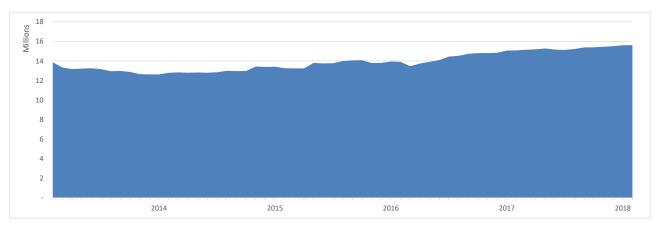
For the First Quarter Ending December 31, 2018

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.

		Current	Activit	y		ed Activity	vity			
(In Thousands)	Qua	arter-End	Yea	r -to-Date	2019		<u>2020</u>		2021	
Opening Balance Additions: Allocated from Electric	\$	15,616	\$	15,616	\$ 15,616	\$	15,559	\$	15,559	
Sub-total	\$		\$		\$ -	\$		\$	-	
Withdrawals: Allocated from Electric		57		57	57					
Sub-total Ending Balance	\$	57 15,559	\$	57 15,559	\$ 57 15,559	\$	- 15,559	\$ \$	- 15,559	

		Н	listorical Ad	tivity			
	2014		<u>2015</u>		2016	2017	2018
Opening Balance Additions:	\$ 13,860	\$	12,787	\$	13,255	\$ 13,910	\$ 15,086
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:15,616Average Balance:13,915Minimum Balance:12,619

Water and Sewer System Debt Service Sinking Fund

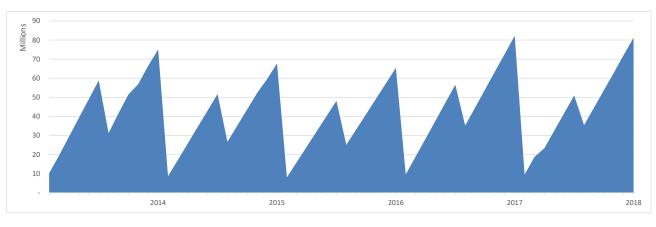
For the First Quarter Ending December 31, 2018

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.

		Current	Activit	У	Projected Activity							
(In Thousands)	Qua	arter-End	Yea	r -to-Date		<u>2019</u>		<u>2020</u>		<u>2021</u>		
Opening Balance Additions:	\$	81,241	\$	81,241	\$	81,241	\$	83,293	\$	83,820		
Revenue fund deposits		28,842		28,842		115,563		117,895		120,497		
Sub-total	\$	28,842	\$	28,842	\$	115,563	\$	117,895	\$	120,497		
Withdrawals:												
Principal and interest payments		81,964		81,964		113,511		117,368		118,853		
Sub-total	\$	81,964	\$	81,964	\$	113,511	\$	117,368	\$	118,853		
Ending Balance	\$	28,119	\$	28,119	\$	83,293	\$	83,820	\$	85,464		

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



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

- 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

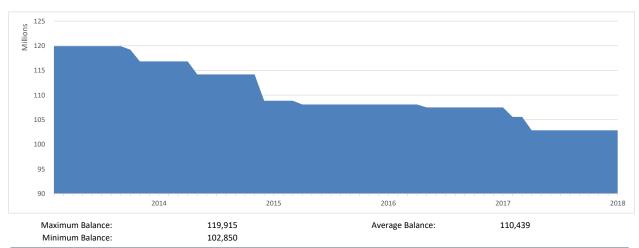
For the First Quarter Ending December 31, 2018

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.

		Current	Activit	Т	Projected Activity							
(In Thousands)	Qu	arter-End	Yea	ar -to-Date		<u>2019</u>		2020		<u>2021</u>		
Opening Balance Additions: Construction reserves/bond issues	\$	102,850	\$	102,850	\$	102,850	\$	68,648	\$	68,648		
Sub-total Sub-total	\$		\$		\$		\$		\$	-		
Withdrawals: Revenue fund Construction fund		318 33,884		318 33,884		318 33,884						
Sub-total Ending Balance	\$	34,202 68,648	\$	34,202 68,648	\$	34,202 68,648	\$	68,648	\$ \$	68,648		

		Hi	storical Act	ivity			
	<u>2014</u>		<u>2015</u>		<u>2016</u>	<u>2017</u>	2018
Opening Balance Additions: Construction reserves/bond issues Revenue fund	\$ 119,915	\$	116,829	\$	108,849	\$ 108,086	\$ 107,488
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	\$ 116,829	\$	108,849	\$	108,086	\$ 107,488	\$ 102,850



- 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 Assuarance 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)

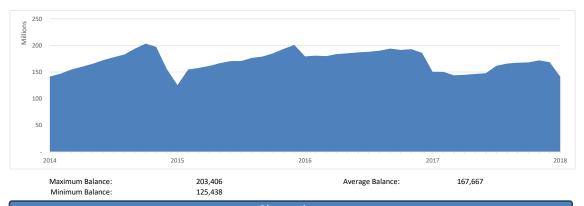
For the First Quarter Ending December 31, 2018

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.

		Current	Activit	ey]	Projected Activity							
(In Thousands)	Qu	arter-End	Yea	ar -to-Date		2019		2020		2021		
Opening Balance Additions:	\$	141,415	\$	141,415	\$	141,415	\$	10,578	\$	11,907		
R&R/OCO Contribution		33,289		33,289		137,234		153,849		163,825		
Capacity Fees Transfer from Capital Fds		7,143		7,143		26,554		25,122		25,056		
Other		8,138		8,138		37,306		9,151		9,051		
Sub-total	\$	48,570	\$	48,570	\$	201,094	\$	188,122	\$	197,932		
Withdrawals:												
Capital Expenditures		42,219		42,219		175,331		186,793		181,929		
Debt Defeasance Other						156,600						
Sub-total	\$	42,219	\$	42,219	\$	331,931	\$	186,793	\$	181,929		
Ending Balance	\$	147,766	\$	147,766	\$	10,578	\$	11,907	\$	27,910		

		His	torical Activ	/ity			
	<u>2014</u>		2015		2016	2017	2018
Opening Balance Additions:	\$ 139,049	\$	136,182	\$	128,249	\$ 179,431	\$ 150,319
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	\$ 68,285	\$	83,298	\$	177,610	\$ 141,083	\$ 187,757
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	\$ 71,152	\$	91,231	\$	126,428	\$ 170,195	\$ 196,661
Ending balance	\$ 136,182	\$	128,249	\$	179,431	\$ 150,319	\$ 141,415



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]

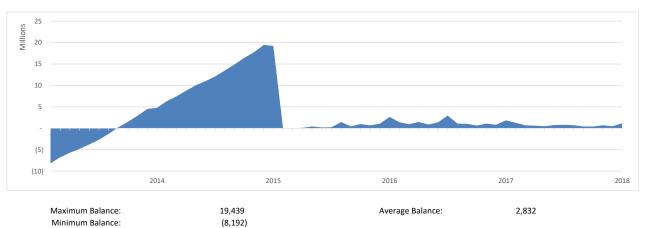
For the First Quarter Ending December 31, 2018

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.

		Current	Y	Projected Activity						
(In Thousands)	Qua	rter-End	Yea	r -to-Date		2019		2020		2021
Opening Balance Additions:	\$	1,159	\$	1,159	\$	1,159	\$	1,211	\$	1,000
Environmental Contributions Loans betw Capital Fds Other		1,183		1,183		10,954		15,601		9,192
Sub-total	\$	1,183	\$	1,183	\$	10,954	\$	15,601	\$	9,192
Withdrawals: Capital Expenditures Other		1,977		1,977		10,902		15,812		9,192
Sub-total Ending Balance	\$ \$	1,977 365	\$	1,977 365	\$ \$	10,902 1,211	\$ \$	15,812 1,000	\$	9,192 1,000

		His	torical Activ	/ity			
	2014		<u>2015</u>		<u>2016</u>	2017	2018
Opening Balance Additions:	\$ (9,857)	\$	5,299	\$		\$ 2,659	\$ 1,839
Environmental Contributions Loans betw Capital Fds Other	21,018		22,056		15,539	12,394	6,691
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



Water and Sewer System - Construction / Bond Fund

For the First Quarter Ending December 31, 2018

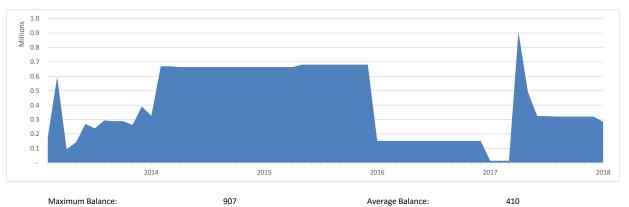
Definitions and Goals

Minimum Balance:

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.

	Current Activity				Projected Activity						
(In Thousands)	Qua	arter-End	Yea	r -to-Date		2019		2020		2021	
Opening Balance Additions:	\$	284	\$	284	\$	284	\$	17,754	\$	-	
Bond Proceeds Line of Credit Other		33,884		33,884		33,884					
Sub-total	\$	33,884	\$	33,884	\$	33,884	\$	-	\$	-	
Withdrawals: Capital Expenditures / Bond Issue Costs Other		2,577		2,577		16,367 47		17,754			
Ending Balance	\$	31,591	\$	31,591	\$	17,754	\$	-	\$		

		Hist	orical Activ	vity				
	2014		<u> 2015</u>	:	<u> 2016</u>	<u> </u>	2017	2018
Opening Balance	\$ 2,305	\$	326	\$	664	\$	152	\$ 15
Additions:								
Bond Proceeds Line of Credit	-							894
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



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.

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INTER-OFFICE MEMORANDUM

February 21, 2019

SUBJECT: STAR PLAN EARLY DEBT RETIREMENT PHASE 1 UPDATE

FROM: Aaron F. Zahn, Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair John Campion

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 1, approved by the Board on December 11, 2018.

DISCUSSION:

On February 21, 2019, staff utilized Electric System Revenue Funds and Renewal and Replacement Funds to defease \$34,930,000 in Electric System bonds and \$65,160,000 in Subordinated Electric System bonds and Water and Sewer Renewal and Replacement Funds to defease \$82,970,000 in Water and Sewer System bonds and \$11,985,000 in Subordinated Water and Sewer System bonds for combined early debt retirements totaling \$195,045,000.

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

Aaron F. Zahn, Managing Director/CEO

AFZ/RFW/JEO/CTC

STAR Plan Early Debt Retirement Phase 1

System	Lien	Par	Primary Purpose	Impacts	Source of Funds
Electric	Senior/Sub	\$100,090,000	Debt Reduction	Lower future debt service, lower unrestricted & restricted cash	Renewal & Replacement Funds and Revenue Funds
W&S	Senior/Sub	\$94,955,000	Debt Reduction	Lower future debt service & lower restricted cash	Renewal & Replacement Funds
	Total	\$195,045,000			





INTER-OFFICE MEMORANDUM

March 11, 2019

SUBJECT: JEA INVESTMENT POLICY - REVISION TO AUTHORIZED

INVESTMENTS

FROM: Aaron F. Zahn, Managing Director and CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair

John Campion

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 August 2018 Board meeting.

DISCUSSION:

Section 7.0, Authorized Investments, refers to Table 1, Investment Limitations. This Table 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 an increase to the percentage limit for intergovernmental pools from 15% to 20% of the investment portfolio. The intergovernmental pools provide the highest yield among the options available to JEA to meet overnight liquidity needs. As the investment portfolio has decreased in size, increasing the percentage limit would help maintain the dollar amount allowed to be invested in the intergovernmental pools. The pools include the Florida Education Investment Trust Fund ("FEITF") managed by PFM, and Florida Prime, managed by Federated Investors and administered by the Florida State Board of Administration. Both pools are rated AAA by Standard and Poor's.

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 15% 20%	Authorized by Florida statutes. Includes Florida Prime Fund and PFM's Florida Education Income Trust Fund.

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

February 14, 2019

SUBJECT:	JEA ENERGY MARKET RISK MANAGEMENT POLICY REPORT
FROM:	Caren Anders, Vice President/General Manager Energy
TO:	JEA Finance and Audit Committee
	Kelly Flanagan, Chair John Campion

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.

	Caren Anders, VP/GM Energy	_
AFZ/CBA/WGB		

Energy Market Risk Management: Physical and Financial Positions

Summary as of 2/1/2019						
Projected FY19 Expense (Budget = \$418M)	\$415M	(3)				
Projected FY19 Fuel Fund Ending Balance (Target = \$75M)	\$48M	(3)				
EMRM Compliance	Yes	9				
Counterparty Credit Limit Exceptions	No	0				
Any Issues of Concern	No	0				

Table 1: Physical Conterparties (Contracts One Year or Greater) as of 2/1/2019

Generating Unit	Fuel Type	Supplier/Counterparty	Contract Type	Remaining Contract Value	Remaining Contract Term
Scherer 4	Coal	CY19 Blackjewel - Eagle Butte - 001	Fixed Price	\$2,666,246	11 months
Scherer 4	Coal	CY19 Blackjewel - Eagle Butte - 004	Fixed Price	\$761,315	11 months
Scherer 4	Coal	CY19 Peabody Caballo -005	Fixed Price	\$2,128,583	11 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	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	CY22 Blackjewel - Eagle Butte - 001	Fixed Price	\$426,657	12 months
Scherer 4	Coal	CY22 Peabody Caballo - 002	Fixed Price	\$315,968	12 months
NG Fleet	Natural Gas	Shell Energy	Index w/Fixed Price Option	\$143,627,733	2.25 years

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

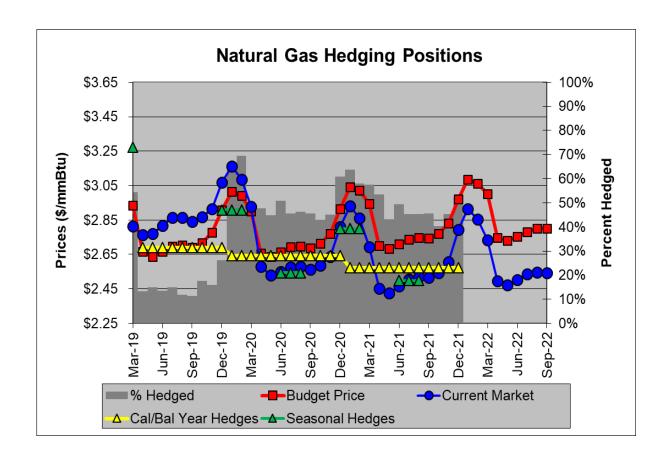
Year	Commodity	Physical Volume (mmBtu)	Hedged Volume (mmBtu)	Percent Hedged	dged Cost nmBtu)	Hedge Type	Hed	ge Price	_	rk-to-Market Value	Counter Party
FY19	Natural Gas	31,266,700	5,520,000	17.7%	\$ 2.82	Swap	\$	2.89	\$	371,640	Wells Fargo
FY20	Natural Gas	47,378,500	20,110,000	42.4%	\$ 2.78	Swap	\$	2.65	\$	(2,047,240)	Wells Fargo & RBC
FY21	Natural Gas	48,131,600	23,720,000	49.3%	\$ 2.62	Swap	\$	2.60	\$	(595,510)	Wells Fargo & RBC
FY22	Natural Gas	51,690,200	5,520,000	10.7%	\$ 2.63	Swap	\$	2.57	\$	(409,040)	RBC

Table 3: Fuel Procurement as of 2/1/2019

Fuel Type	Natural Gas	Coal	Petcoke	Purchased Power	Oil/Diesel	Renewables
FY19 Remaining / Energy Mix	47%	19%	15%	17%	0%	2%
Expected Spend (\$)	95.4M	50.4M	36.5M	37.2M	0.4M	12.5M
% Procured	44%	77%	44%	62%	100%	100%
% Hedged	17%	77%	28%	7%	100%	100%
FY20 Budget / Energy Mix	49%	17%	15%	14%	0%	5%
Expected Spend (\$)	130.7M	67.6M	50.9M	46.3M	1.1M	29.3M
% Procured	47%	44%	9%	17%	100%	100%
% Hedged	41%	44%	9%	2%	100%	100%
FY21 Projection / Energy Mix	49%	17%	15%	13%	0%	6%
Expected Spend (\$)	127.9M	68.7M	51.8M	40.8M	4.2M	32.2M
% Procured	46%	40%	10%	0%	100%	100%
% Hedged	48%	40%	10%	0%	100%	100%

Supporting Notes:

- Renewable purchase power agreements are not included in Table 1
- Natural Gas Transportation is 100% fixed capacity and price
- Solid fuel procurement annually and quarterly at Northside; CY2019-2022 for Scherer
- Table 3: FY Energy Mix based on MWH
- In Table 3, the procured percent relates to inventory on hand, or contracted and the percent hedged is inventory on hand or contracted with fixed pricing or financial hedges
- Renewables in Table 3 represent signed agreements and an estimated cost for pending contracts





INTER-OFFICE MEMORANDUM

February 25, 2019

SUBJECT: PROGRAM ASSESSMENT

FROM: Aaron F. Zahn, Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair

John Campion

BACKGROUND:

Last fall, at the FAC meeting, staff was requested to facilitate the performance of an Independent Cybersecurity Program Assessment for JEA, using the services of Ernst and Young. In December the Compliance group in cooperation with Technology Services began discussions with E&Y on a scope of services for this assessment.

DISCUSSION:

JEA has concluded the discussions and has a draft Statement of Work ("SOW") with E&Y. This SOW encompasses a broad scope of work which will provide a comprehensive, independent and detailed assessment of JEA's cybersecurity program in the form of a written report. The SOW also includes a timeline for the work, and a proposed fixed fee for the services.

RECOMMENDATION:

This item is being presented for discussion and action, if so determined by the FAC. The form of action is for the FAC to instruct staff to complete a final agreement for these services with E&Y, based on the draft SOW and the fixed cost of \$525,000 plus 15% for direct expenses.

Aaron F. Zahn, Managing Director/CEO

AFZ/MHD/TEH