

JEA
BOARD AGENDA

DATE: December 12, 2017

TIME: 12:00 PM

PLACE: JEA
21 West Church Street
19th Floor

I. WELCOME

- A. Call to Order
- B. Time of Reflection
- C. Pledge to Flag
- D. Adoption of the Agenda
- E. Safety Briefing
- F. Sunshine Law/Public Records Statement – Jody Brooks, Chief Legal Officer

II. PRESENTATIONS AND COMMENTS

- A. Comments from the Public
- B. Council Liaison’s Comments – Matt Schellenberg
- C. Office of the Mayor Liaison’s Comments – Dr. Johnny Gaffney

III. FOR BOARD CONSIDERATION

- A. Consent Agenda – The Consent Agenda consists of agenda items that require Board approval but are routine in nature, or have been discussed during previous public meetings of the Board. The Consent Agenda items require no explanation, discussion or presentation, and are approved by one motion and vote.
 - 1. Approval of Board Meeting Minutes November 28, 2017 – **action**
 - 2. Monthly JEA Financial Review & Statements – information
 - 3. Monthly JEA Operations Report – information
 - 4. Monthly FY18 Communications & Engagement Calendar and Plan Update – information

B. Strategic Discussions/Action

1. JEA Board Policy Manual Change: Executive Limitations – Compensation and Benefits – Angie Hiers, Chief Human Resources Officer – 5 minutes – presentation/**action**
2. CEO Contract Modification and Extension – Jody Brooks, Chief Legal Officer – 5 minutes – discussion/**action**
3. Amendments to Prior Board Authorizations for Fixed Rate Debt Refundings for Electric System and Water and Sewer System – Melissa Dykes, Chief Financial Officer – 10 minutes – presentation/**action**
4. Monthly Operational and Financial Review – Melissa Dykes, Chief Financial Officer – 10 minutes – presentation/information

C. Open Discussion**D. Other New Business****E. Old Business – none****IV. REPORTS****A. Finance and Audit Committee Report – Kelly Flanagan, Committee Chair**

1. Approval of Minutes – August 7, 2017 – information
2. Audit Services – Quarterly ERM/Audit Update – information
3. Ethics Officer Quarterly Report – information
4. Electric System and Water and Sewer System Reserve Fund Quarterly Report – information
5. JEA Energy Market Risk Management Policy Report – information
6. Ernst & Young FY2017 External Audit Report – information
7. Announcements
 - a. Next Meeting, March 12, 2018, 8:00 – 10:00 AM
8. Committee Discussion Sessions
 - a. Ernst & Young – information
 - b. Director, Audit Services – information
 - c. Council Auditor's Office – information

B. Managing Director/CEO's Report**C. Chair's Report**

V. CLOSING CONSIDERATIONS

- A. Announcements – Next Board Meeting January 16, 2018
- B. Adjournment

Board Calendar

Board Meetings: 12:00 PM – Third Tuesday of Every Month

Exceptions: December 11, 2018

Committees:

Finance & Audit Committee: March 12, 2018

Compensation Committee: TBD

Government Affairs Committee: TBD

A. If you have a disability that requires reasonable accommodations to participate in the above meeting, please call **665-7550** by **8:30 AM** the day before the meeting and we will provide reasonable assistance for you.

B. If a person decides to appeal any decision made by the JEA Board with respect to any matter considered at this meeting, that person will need a record of the proceedings, and, for such purpose, needs to ensure that verbatim record of the proceedings is made, which record includes the evidence and testimony upon which the appeal is to be based.

I. F.
Sunshine Law/Public Records Statement

Florida's Government in the Sunshine Law
Office of General Counsel

This meeting is being held in compliance with Florida's Government in the Sunshine Law, §286.011, Florida Statutes, and shall be open to the public at all times. Official acts of the JEA Board may be conducted at this meeting that will be considered binding on the JEA. Reasonable notice has been provided and minutes of this meeting shall be taken and promptly recorded.

III. A. 1.

Approval of Board Meeting Minutes November 28, 2017

JEA
BOARD MINUTES
November 28, 2017

The JEA Board met in regular session on Tuesday, November 28, 2017, on the 19th Floor, 21 W. Church Street, Jacksonville, Florida. Present were Alan Howard, Frederick Newbill, Tom Petway and Husein Cumber. Vice Chair Delores Kesler and Kelly Flanagan were absent and excused.

Agenda Item I – Welcome

- A.** The meeting was **called to order** at 12:01 PM by Chair Howard.
- B.** A **Moment of Reflection** was observed by all.
- C.** The **Pledge of Allegiance** was led by Chair Howard.
- D.** **Adoption of Agenda** – The agenda was approved on **motion** by Secretary Newbill and second by Mr. Petway.
- E.** The **Safety Briefing** was given by Paul McElroy, Managing Director/Chief Executive Officer.
- F.** **Sunshine Law/Public Records Statement** – Jody Brooks, Chief Legal Officer, stated this Board Meeting is being held in compliance with Florida’s Government in the Sunshine Law, §286.011. The complete statement can be found in section I. F. of the Board package.

Agenda Item II – Presentations and Comments

A. Comments from the Public –

- 1. Bonnie Malley, addressed the Board regarding solar.
- 2. Angela DeMonbreun, addressed the Board regarding solar.
- 3. George Cavros, addressed the Board regarding solar.
- 4. Tom Larson, addressed the Board regarding solar.
- 5. Warren Clark, addressed the Board regarding solar.

At this time, Chair Howard introduced April Green, the prospective new JEA Board Member.

- B. Council Liaison’s Comments** – Council Member Matt Schellenberg addressed the Board regarding the proposed extension of the real estate purchase and sale agreement for the Southside Generating Station (SGS) property. Mr. Schellenberg indicated that an extension should not be approved and that he would appreciate being involved in further negotiations.
- C. Office of the Mayor Liaison’s Comments** – Dr. Gaffney advised the Board that the Mayor wanted to acknowledge and welcome April Green and appreciates the service of the Board.
- D. MOSH Power Play Exhibit** – Kerri Stewart, Chief Customer Officer, introduced a video displaying JEA’s exhibit at the Museum of Science and History (MOSH).

Agenda Item III – For Board Consideration

A. Consent Agenda – used for items that require no explanation, discussion or presentation and are approved by one motion and vote. On **motion** by Mr. Cumber and second by Secretary Newbill, items 1 and 2 on the Consent Agenda were unanimously approved and items 3 through 6 were received for information.

1. Approval of Board Workshop Minutes October 17, 2017 – approved
2. Approval of Board Meeting Minutes October 17, 2017 – approved
3. 2018 Proposed Board of Directors Meeting Schedule – received for information
4. Monthly JEA Financial Statements – received for information
5. Monthly JEA Operations Report – received for information
6. Monthly FY18 Communications & Engagement Calendar and Plan Update – received for information

B. Strategic Discussions/Action

1. St. Johns River Power Park System Employees' Retirement Plan Restatement – Amendment #1 to the Restated Plan Document – Angie Hiers, Chief Human Resources Officer, advised the Board of Amendment #1 to the St. Johns River Power Park Systems Employees' Retirement Plan Restatement, which was indicated by the Internal Revenue Service (IRS) as a contingency to approval of the Plan's restatement. Ms. Hiers advised that the amendment adds verbiage to the Plan, but has no other impact. On **motion** by Mr. Petway and second by Secretary Newbill, the Amendment was unanimously approved by the Board.
2. Fiscal Year 2017 Operating Budget Line Item Transfers – Melissa Dykes, Chief Financial Officer, presented to the Board a recommendation to ratify the FY2017 year-end budget line item transfers which consisted of the following:
 - \$40 million to Debt Service – Principal and \$26 million to Operating Capital Outlay from Debt Service – Bond Buyback, Operations and Maintenance, Non-Fuel Purchased Power, and Emergency Reserve in the Electric System Operating Budget; and
 - \$6 million to Capacity Fees expense and \$0.1 million to Debt Service – Bond Buyback from Debt Service – Interest, Operations and Maintenance, Emergency Reserve, Non-Fuel Uncollectibles & PSC Tax, and Operating Capital Outlay budget lines in the Water and Sewer Operating Budget.

Upon **motion** by Mr. Cumber and second by Mr. Petway, the Board unanimously approved the budget line item transfers.

3. Amendments to Prior Board Authorizations for Fixed Rate Debt Refundings for Electric System and Water and Sewer System – Melissa Dykes, Chief Financial Officer, advised the Board of Resolutions No. 2017-38, 2017-39, 2017-40 and 2017-41, which would increase the authorization levels for refunding bond transactions previously authorized by the Board under the December 2016 Resolutions. Ms. Dykes advised that the United States House of Representatives and Senate are working on tax reform legislation, which would eliminate the ability to issue tax-exempt advance refunding bonds. Ms. Dykes indicated that the increase in authorization levels would allow staff to potentially refund debt at lower interest rates prior to December 31, 2017, avoiding any negative impacts by the legislation. Upon **motion** by Secretary

Newbill and second by Mr. Petway, Resolutions No. 2017-38, 2017-39, 2017-40 and 2017-41 were unanimously approved by the Board.

4. Annual Financial and Operational Review with the Rating Agencies – Melissa Dykes, Chief Financial Officer, reviewed the agenda and the forecasts and projections to be shared with the ratings agencies at the annual meetings in New York on November 29, 2017. This item was presented for information.
 5. Fiscal Year 2017 Year-End Financial Results – Melissa Dykes, Chief Financial Officer, provided the Board with a review of the year-end financial results for FY2017, including key financial metrics, debt-to-asset ratios, outstanding debt and Florida utilities monthly bill comparisons. This item was received for information.
- C. Open Discussion** – Mr. Cumber inquired on further information related to communications issues during Hurricane Irma and was advised issues will be discussed at the January Board meeting.
- D. Other New Business** – none
- E. Old Business** – none

Agenda Item IV – Reports

- A. Compensation Committee** – with the absence of Committee Chair Kesler, the report was given by Jody Brooks, Chief Legal Officer.
1. Approval of Minutes – January 6, 2017 – On **motion** by Secretary Newbill and second by Mr. Cumber, the minutes were approved.
 2. Fiscal Year 2017 Pay for Performance – On **motion** by Mr. Petway and second by Secretary Newbill, the FY2017 Pay for Performance was approved.
 3. Fiscal Year 2017 CEO Performance – On **motion** by Mr. Petway and second by Secretary Newbill discussions were held and the FY2017 CEO Performance was unanimously approved by the Board.
 4. Fiscal Year 2018 and Beyond Employee Compensation Discussion – received for information
 5. Fiscal Year 2018 and Beyond CEO Contract Discussion – received for information
 6. Fiscal Year 2018 CEO Goals – was deferred to the December 2017 Board meeting.
 7. Announcements
 - a. Next Meeting, Schedule Next Meeting as Appropriate
- B. Government, Legal and Real Estate Committee** – Tom Petway, Committee Chair
Item 1 was presented out of order, but minutes will reflect the original agenda order.
1. Approval of Minutes – May 11, 2017 – On **motion** by Secretary Newbill and second by Committee Chair Petway, the minutes were approved.
 2. Real Estate Project Reports
 - a. Real Estate Purchase & Sale Agreement for Southside Generating Station (SGS) Property – Update and Request for Third Time Extension – Paul McElroy, Managing Director/CEO, provided an overview of the extension request. On **motion** by Committee Chair Petway and second by Secretary Newbill, the Board

held discussions and unanimously approved the extension of the Real Estate Purchase & Sale Agreement for SGS.

b. JEA Headquarters Building – this item was received for information

3. Real Estate Easement Condemnation Resolution: Judith Avenue Force Main Improvement Project – Paul McElroy, Managing Director/CEO provided an overview of the project and the resolution. On **motion** by Committee Chair Petway and second by Mr. Cumber, the Board held discussions and unanimously approved Resolution 2017-37, authorizing JEA to acquire utility easement rights for water and sewer lines through condemnation.
4. Real Estate Acquisition Status Report – received for information
5. JEA Government Relations Local, State and Federal Update – received for information
6. Litigation Update – received for information
7. Other New Business – none
8. Announcements

a. Next Meeting, Schedule Next Meeting as Appropriate

C. Managing Director/CEO's Report – Paul McElroy, Managing Director/CEO provided an update on the following items:

1. Mr. McElroy thanked the JEA Senior Leadership Team and others for the successes of the year and for always looking for ways to help JEA, its customers and stakeholders.
2. Mr. McElroy stated all employees have returned from Puerto Rico. JEA equipment is due back on November 29, 2017. The team has received high marks from the people of Puerto Rico and the Puerto Rico Electric Power Authority (PREPA).
3. The all-employee cascade meeting was launched in November, with employees focused on changes to keep JEA current for years to come.
4. JEA underwent a North American Electric Reliability Corporation (NERC) audit on its Electric Systems with extremely fantastic results and one of the best, if not the best, exit report, JEA has ever received. Mr. McElroy congratulated Mike Brost, Ted Hobson and their teams.

D. Chair's Report – The Chair yielded his time to Mr. Petway. Mr. Petway announced that this meeting would be his last and shared thoughts on his time at JEA, indicating it has been one of the best experiences of his life. Mr. Petway offered observations and one recommendation for review. The observations are as follows:

1. JEA is at or very near peak performance.
2. JEA has great assets, which are operated by exceptionally talented people.
3. JEA has significantly improved the balance sheet over the last year.
4. JEA is one of the most valuable assets the City of Jacksonville owns.
5. The JEA success is built on the tremendous amount of capital invested by the citizens of Jacksonville.

- 6. The current marketplace for utility services is vastly different from when JEA was created in 1967. The majority of people in Florida, including most urban centers, are served in the private sector marketplace.
- 7. The private marketplace is competitive and well regulated by the Florida Public Service Commission.
- 8. The JEA Board should evaluate where JEA fits in this emerging private marketplace of utility companies.

Mr. Petway encouraged the Board to request from the CEO and the JEA team a report on JEA’s financial value in the marketplace. As a result, Mr. Petway indicated the Board would be prepared to consider “where does JEA fit” in the private marketplace.

Agenda Item V – Closing Considerations

- A. Announcements** – Next Board Meeting – December 12, 2017
- B. Adjournment**

With no further business claiming the attention of the Board, Chair Howard adjourned the meeting at 1:24 PM.

APPROVED BY:

SECRETARY

DATE: _____

Board Meeting recorded by:

Cheryl W. Mock
Executive Assistant

III. A. 2.

Monthly JEA Financial Review & Statements

Due to the earlier date of the December 12, 2017 Board Meeting, the Financial Review & Statements will be provided prior to the Board Meeting.

III. A. 3.
Monthly JEA Operations Report

Due to the earlier date of the December 12, 2017 Board Meeting, the Monthly Operations Report will be provided prior to the Board Meeting.

III. A. 4.
Monthly FY18 Communications & Engagement Calendar
and Plan Update

JEA Community Engagement Calendar - November - January 2018

(Events highlighted in blue are either JEA corporate or partner events)

	A	B	C	D	E	F
1	Date	Event/Activity	Location	Time	Type	Opportunity for Public to Attend or Participate
2	Nov-17					
3	11/1/2017	Shiva Robotics Club	7044 Beach Blvd.	5pm	Ambassador Speaker	No
4	11/2/2017	Riverside Presb. Lego Club	Main St Lab Tour	3:30pm	Ambassador Facility Tour	No
5	11/6/2017	JEA Power Pals	St Claire Evans Elem.	12:30pm	Ambassador Instructor	No
6	11/7/2017	JEA Power Pals	North Shore Elem.	9:30am	Ambassador Instructor	No
7	11/8/2017	Greenwood School	Main St Lab Tour	10am	Ambassador Facility Tour	No
8	11/9/2017	Greenwood School Career Fair	9920 Regency Square Blvd.	1pm	Ambassador Event	No
9	11/9/2017	St Claire Evans Community Night	5443 Moncrief Rd	5pm	Ambassador Event	Yes
10	11/11/2017	Veterans Day Parade	Downtown Jax	11:01am	Ambassador Event	Yes
11	11/13/2017	JEA Power Pals	St Claire Evans Elem.	12:30pm	Ambassador Instructor	No
12	11/13/2017	UNF Environmental Class	Buckman Plant	8:30am	Ambassador Facility Tour	No
13	11/13/2017	Ribault Hills Assoc.	Legends Center	6pm	Ambassador Speaker	Yes
14	11/14/2017	JEA Power Pals	North Shore Elem.	9:30am	Ambassador Instructor	No
15	11/15/2017	Jr. Achievement School Takerover	Henry Kite Elem. - 9430 Lem Turner Rd.	9am	Ambassador Instructor	No
16	11/15/2017	Duval Soil & Water Conservation	IFAS - 7474 McDuff Ave	8am	Ambassador Speaker	No
17	11/15/2017	UNF College of Business	UNF	6pm	Ambassador Speaker	No
18	11/18/2017	Girl Scout Troop 869	Main St Lab Tour	10am	Ambassador Facility Tour	No
19	11/18/2017	Shiva Robotics Club	Main St Lab Tour	10am	Ambassador Facility Tour	No
20	11/20/2017	JEA Power Pals	St Claire Evans Elem.	12:30pm	Ambassador Instructor	NO
21	11/21/2017	JEA Power Pals	North Shore Elem.	9:30am	Ambassador Instructor	No
22	11/21/2017	Robotics Team	Main St Lab Tour	3pm	Ambassador Facility Tour	No
23	11/25/2017	Big Talbot Island Residents	123 Houston Ave	12pm	Ambassador Speaker	No
24	11/28/2017	FSCJ Class	Main St Lab Tour	10am	Ambassador Facility Tour	No
25	11/28/2017	LaCore Christian Academy	8050 Lone Star Rd.	9am	Ambassador Instructor	No
26	11/28/2017	LaCore Christian Academy	8050 Lone Star Rd.	10am	Ambassador Instructor	No

JEA Community Engagement Calendar - November - January 2018

(Events highlighted in blue are either JEA corporate or partner events)

	A	B	C	D	E	F
27	11/29/2017	FMPA	Meter Shop/Commonwealth Service Center	1pm	Ambassador Facility Tour	No
28	11/30/2017	FSCJ GED Class	Main St Lab Tour	9:30am	Ambassador Facility Tour	No
29	Dec-17					
30	12/2/2017	Brook YMCA	Main St Lab Tour	10am	Ambassador Facility Tour	No
31	12/5/2017	Girl Scouts 1 Hour Power Pals	Ed Ehite High School	6:30pm	Ambassador Instructor	No
32	12/7/2017	Hope for FLHomeowners	Abyssinia Church - 10325 Interstae Center Dr.	1pm	Ambassador Event	Yes
33	12/15/2017	West Riverside Elem. Career Fair	2801 Herschel St	9am	Ambassador Event	Yes
34	12/27/2017	Girl Scout Troop 2273	Main St Lab Tour	10am	Ambassador Facility Tour	No
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37	Jan-17					
38	1/20/20-18	Girl Scout Troop 2237	Main St Lab Tour	10am	Ambassador Facility Tour	No
39	1/27/2018	Energy & Society workshop	Jax Zoo	9am - 2pm	Ambassador Speaker	Yes
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FY18 Communications & Community Engagement Overview and November/December Update

Overview: Each month we update the board on communications and community engagement activities for the previous and current months. The purpose is to keep you informed about these activities so that you are knowledgeable about JEA's efforts to keep our customers informed, to assist them in the management of their utility services and to be a good corporate citizen.

Communications: The JEA Power of Thanks Giveaway continued through November generating customer awareness around all of our billing and payment programs. During this giveaway, all customers who were enrolled in one of our billing and payment programs by 11/30 were automatically entered to win their choice of a Jacksonville Jaguars game day ticket package or a \$500 Amazon gift card. On November 17th we participated in the Salvation Army Thanksgiving Food Distribution. At this event JEA volunteers distribute food for those in need for the Thanksgiving holiday. Otherwise we continued all key messages that were identified by J.D. Power as critical to customers. All paid and owned messaging is supported by social media, using Twitter, Facebook, LinkedIn, Google+ and YouTube to provide additional timely, relevant information.

Community Engagement: JEA employees are actively involved in our community engagement efforts. JEA Ambassadors participate in activities where we have an opportunity to help customers manage their utility services and/or to educate customers about how JEA provides critical utility services to our community. These employees are trained and certified ahead of time to help JEA deliver on our mission. On the other hand, JEA Volunteers go out into the community to assist nonprofits accomplish their goals by offering their time and talents to help the nonprofit deliver their mission. Volunteers do not have to have any special training or talent; they just have a caring heart.

In November, Ambassadors were requested to speak to several groups including the Shiva Robotics Club and the Ribault Hills Neighborhood Association. Ambassadors conducted several facility tours for groups such as the FSCJ GED Class, UNF Environmental Class, and Riverside Presbyterian Lego Club. Ambassadors also participated in several community events including the 2017 Veterans Day Parade, Greenwood School Career Fair, and The St Claire Evans Academy Science Night.

Below, JEA Ambassadors participated in the Junior Achievement School Takeover at Henry L Kite Elem. and 20 of our employees took over teaching all 12 classes at Henry F Kite Elementary



In November, JEA volunteers came out in support of the Salvation Army Thanksgiving Food Distribution, the Clara White’s Feed the City, and the Feeding NE Florida Food Bank.

Clara White Mission Food Drive



As a community-owned utility, JEA employees take a great pride in the Ambassador and Volunteer programs and these programs go a long way to tangibly demonstrate to customers and the community the incredible “Heart of JEA.”

Communications Contacts* Generated Year to Date	35,370,724
• Number of Paid Communications Contacts (Radio, Television, Out of Home, Online, Print)	24,325,233
• Number of Other Communications Contacts (Bill Insert, Bill Envelop, Brochure, etc.)	2,165,350
• Number of E-communications Contacts (jea.com Visitors, Email, Social Media, Videos)	8,491,413
• Number of Community Engagement Communications Contacts (Events, Public Speaking, Presentations, Training, Workshops, etc.)	388,728

*Communications Contacts are the opportunities we have to communication information to our customers.

III. B. 1.

JEA Board Policy Manual Change: Executive Limitations - Compensation and Benefits



Building Community

AGENDA ITEM SUMMARY

III. B. 1.
12/12/2017

December 4, 2017

SUBJECT:	JEA BOARD POLICY MANUAL CHANGE: EXECUTIVE LIMITATIONS - COMPENSATION AND BENEFITS
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Purpose:	<input type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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Issue: The JEA Compensation Committee met on November 27, 2017 and covered a variety of topics. During the meeting, the Compensation Committee discussed and affirmed the authority of the CEO to establish total compensation in accordance with JEA Board Policy 2.7.3. which was revised and approved by the Board of Directors on June 14, 2017. A copy of the policy is attached.

Significance: N/A

Effect: The approval of this agenda item will affirm the authority of the CEO to set and promote a compensation philosophy that is consistent with JEA’s compensation philosophy and in adherence to Policy 2.7 of the JEA Board Policy Manual.

Cost or Benefit: N/A

Recommended Board action: Staff recommends that the Board of Directors approve the affirmation of authority of the CEO to establish total compensation philosophy in accordance with JEA Board Policy 2.7.3.

For additional information, contact: Angelia R. Hiers 665-4747

MISSION	VISION	VALUES
		
Energizing our community through high-value energy and water solutions.	JEA is a premier service provider, valued asset and vital partner in advancing our community.	<ul style="list-style-type: none"> • Safety • Service • Growth² • Accountability • Integrity

Commitments to Action

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

JEA Board Policy Manual

III. B. 1.
12/12/2017

POLICY TYPE: EXECUTIVE LIMITATIONS

POLICY 2.7

POLICY TITLE: *COMPENSATION AND BENEFITS*

With respect to employment, compensation, and benefits to employees, consultants, contract workers, and volunteers, the CEO shall not cause or allow jeopardy to financial integrity or to public image.

Accordingly, the CEO will not:

- 2.7.1 Change the CEO's own compensation and benefits, except as those benefits are consistent with a package for other appointed employees.
- 2.7.2 Promise or imply unconditional permanent or guaranteed employment.
- 2.7.3 ~~Administer compensation and benefits that fail to address individual accountability, motivate and reward for knowledge and skills, encourage organizational flexibility and responsiveness or are inconsistent with the geographic and professional market for the skills employed.~~

Promote a compensation philosophy that is contradictory to JEA's compensation philosophy of providing a total rewards package that encompasses salary/wages, including, when applicable incentive compensation, retirement benefits, incentives, and health and welfare benefits. Salary/wages will meet the market (50% percentile), which is where the majority of companies in the geographic area reside. The 50th percentile pays competitively for behavior that meets expectations. Additional consideration will be given to behaviors that exceed expectations which are typically rewarded at the 75th percentile. Internal equity will be achieved by evaluating differences in skill, effort, responsibility, and working conditions among jobs

Adopted in its entirety by the JEA Board on February 16, 2010.

III. B. 2.

CEO Contract Modification and Extension



Building Community

AGENDA ITEM SUMMARY

December 4, 2017

SUBJECT:	CEO CONTRACT MODIFICATION AND EXTENSION
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Purpose:	<input type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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Issue: The current Employment Agreement dated August 21, 2015, for the Chief Executive Officer/Managing Director (“CEO”) will terminate effective September 30, 2018. Direction was given at the November 27, 2017 JEA Compensation Committee meeting for the JEA Board Chair to work with the CEO to modify and extend the CEO Employment Agreement.

Significance: To have assurance that the CEO will be engaged in providing the proper management and direction to JEA for an additional two years.

Effect: The JEA Board of Directors is tasked with appointing a CEO to operate the eighth largest community-owned electric utility company in the United States and the largest in Florida, with total assets of \$8.4 billion (2017), total revenue of \$1.8 billion (2017), and approximately 2000 employees (2017).

Cost or Benefit: The proposed Employment Agreement removes the provision of an annual performance compensation incentive, provides an increased annual base salary and modifies the termination section to be consistent with Florida Statutes and extends the term an additional two years.

Recommended Board action: Staff recommends that the JEA Board of Directors approve the CEO Employment Agreement modification and extension effective as of October 1, 2017 and terminating on September 30, 2020.

For additional information, contact: Jody Brooks 665-6383

Submitted by: PEM/JLB

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

Commitments to Action

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

III. B. 2.
CEO Contract Modification and Extension

The proposed CEO Contract Modification and Extension will be provided at the December 12, 2017 Board meeting.

III. B. 3.

Amendments to Prior Board Authorizations for Fixed Rate Debt
Refundings for Electric System and Water and Sewer System



Building Community

AGENDA ITEM SUMMARY

December 4, 2017

SUBJECT: AMENDMENTS TO PRIOR BOARD AUTHORIZATIONS FOR FIXED RATE DEBT REFUNDINGS FOR ELECTRIC SYSTEM AND WATER AND SEWER SYSTEM

Purpose: Information Only Action Required Advice/Direction

Issue: Staff is requesting Board approval of modifications to authority delegated to the Managing Director/CEO to price and execute fixed rate debt refunding transactions for the Electric System and Water and Sewer System, approved and modified by the Board December 13, 2016 and November 28, 2017, respectively.

Significance: High. Potential refunding transactions currently being evaluated require Board authorization.

Effect: Using the bond issuance delegation process makes better use of the Board's time and provides greater flexibility in meeting the fluctuating demands of the financial market.

Cost or Benefit: Potential debt service savings from lower interest rates if refundings can be executed in a timely manner based on favorable market conditions.

Recommended Board action: JEA staff is recommending that the Board approve and adopt Resolutions No. 2017-42, 2017-43, 2017-44 and 2017-45 modifying the redemption parameters for refunding bond transactions previously authorized by the Board under the Prior Bond Refunding Parameter Resolutions.

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

Submitted by: PEM/ MHD/ JEO/ rlh

MISSION 	VISION 	VALUES 
Energizing our community through high-value energy and water solutions.	JEA is a premier service provider, valued asset and vital partner in advancing our community.	<ul style="list-style-type: none"> • Safety • Service • Growth² • Accountability • Integrity

Commitments to Action

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

**INTER-OFFICE MEMORANDUM**

December 4, 2017

SUBJECT: **AMENDMENTS TO PRIOR BOARD AUTHORIZATIONS FOR FIXED RATE DEBT REFUNDINGS FOR ELECTRIC SYSTEM AND WATER AND SEWER SYSTEM**

FROM: Paul E. McElroy, Managing Director/CEO

TO: JEA Board of Directors

BACKGROUND:

Since FY2010, JEA staff has utilized a debt financing approval process in which the Board delegated parameters, consistent with the current year budget, within which the Managing Director/CEO is authorized to price and execute future fixed rate bond issues. This process provides staff with additional flexibility to move quickly and take advantage of market-related opportunities in the post financial crisis marketplace.

On December 13, 2016, the Board adopted Resolutions No. 2016-21, 2016-22, 2016-23 and 2016-24 (the "December 2016 Resolutions") providing authorization to refund existing variable rate and/or fixed rate Electric System bonds and Water and Sewer System bonds under delegated parameters. On November 28, 2017, the Board adopted Resolutions No. 2017-38, 2017-39, 2017-40 and 2017-41, which modified certain parameters in the December 2016 Resolutions (together with the December 2016 Resolutions, the "Prior Bond Refunding Parameter Resolutions"). The Prior Bond Refunding Parameter Resolutions provide for the delegation of such authorization to refund existing bonds with tax-exempt fixed rate bonds for a period through December 31, 2018.

DISCUSSION:

Staff is presently preparing Electric System and Water and Sewer System refunding bond transactions under authority delegated to the Managing Director/CEO by the Prior Bond Refunding Parameter Resolutions. Given the recent discussion at the Board regarding analyzing the value of privatizing JEA, in order to receive an unqualified tax opinion as to the tax exemption of the refunding securities issued – a requirement of the bond closing – JEA must include an additional bond redemption provision.

Bond counsel has prepared Resolutions No. 2017-42, 2017-43, 2017-44 and 2017-45 for the Electric System (Senior and Subordinated) and Water and Sewer System (Senior and Subordinated), respectively. These Resolutions provide for two additional redemption provisions and delegate authorization to the Managing Director/CEO to determine which are most prudent to include based on market conditions at the time of pricing:

- (1) Extraordinary mandatory redemption prior to the stated maturity date of the bonds in whole on any day at a specified redemption price, or
- (2) Special optional redemption at a specified redemption price.

The determination as to redemption price and which call provision(s) to include between (1) and (2) above will be made by the Managing Director/CEO based on market conditions at the time of the sale of the bonds.

All other parameters authorized under the Prior Bond Refunding Parameter Resolutions remain unchanged and in effect.

Board members continue to have the opportunity to review and provide comments to staff, which is appropriate practice under federal securities laws, regarding all preliminary and final Official Statements prior to posting. For the current offerings, the preliminary Official Statements were distributed to members electronically the week of November 27 and mailed electronically to investors on December 5. The final Official Statements will be distributed to members electronically on or about December 14.

Staff will report to the Finance and Audit Committee the results of any transaction(s) pursuant to authorizations at the next regularly scheduled meeting following the closing date of the refunding bonds.

RECOMMENDATION:

JEA staff is recommending that the Board approve and adopt Resolutions No. 2017-42, 2017-43, 2017-44 and 2017-45 modifying the redemption parameters for refunding bond transactions previously authorized by the Board under the Prior Bond Refunding Parameter Resolutions.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/JEO/RLH

RESOLUTION NO. 2017-42

A RESOLUTION OF JEA SUPPLEMENTING AND AMENDING RESOLUTION NO. 2016-21 OF JEA FOR THE PURPOSE OF, (I) REVISING THE DELEGATION AUTHORITY TO INCLUDE THE AUTHORITY TO DETERMINE WHETHER JEA'S ELECTRIC SYSTEM REVENUE BONDS, SERIES THREE 2017/8X SHALL BE SUBJECT TO EXTRAORDINARY MANDATORY REDEMPTION OR SHALL BE SUBJECT TO SPECIAL OPTIONAL REDEMPTION AND, IN EITHER CASE, TO ESTABLISH THE TERMS AND CONDITIONS OF ANY SUCH EXTRAORDINARY MANDATORY REDEMPTION OR SPECIAL OPTIONAL REDEMPTION AND DELEGATING THE AUTHORITY TO DETERMINE CERTAIN MATTERS IN CONNECTION THEREWITH; (II) RATIFYING RESOLUTION 2016-21, AND (III) PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED by JEA as follows:

SECTION 1. DEFINITIONS. Unless otherwise defined herein, or unless the context otherwise requires, all terms used herein shall have the meanings ascribed to them pursuant to Resolution 2016-21 of JEA.

SECTION 2. AUTHORITY FOR THIS RESOLUTION. This resolution is adopted pursuant to the provisions of the Act, as amended prior to the date hereof, and the Electric System Resolution, and is supplemental to the Series Three Resolution and the Electric System Resolution and Resolution 2016-21.

SECTION 3. FINDINGS. It is hereby ascertained, determined and declared that:

(A) Pursuant to Resolution 2016-21 of JEA, as amended, among other things, JEA authorized the issuance of Series Three 2017/8X Bonds in one or more installments in an aggregate principal amount not to exceed \$771,000,000 for the purpose of current and/or advance refunding JEA's Outstanding Series Three Bonds and providing that not to exceed \$305,000,000 principal amount of the Series Three 2017/8X Bonds may be issued for the purpose of refunding fixed rate Refunded Bonds.

(B) In light of recent discussions of the JEA Board of Directors ("JEA Board") that the JEA Board and the City of Jacksonville consider the financial benefits that would result from a privatization of JEA's Electric System and Water and Sewer System and whether the customers of JEA and the people of the City of Jacksonville would be better served by the private marketplace and that it is in the best interests of JEA to maximize the aggregate principal amount of Series Three 2017/8X Bonds that are issued where the interest thereon is excluded from gross income for federal income tax purposes in order to obtain the most favorable interest rates, JEA is required to include an additional redemption provision for the Series Three 2017/8X Bonds.

(C) JEA now therefore desires to supplement and amend Resolution 2016-21 to include the authorization for the Managing Director/CEO to provide for the extraordinary

mandatory redemption or special optional redemption of the Series Three 2017/8X Bonds prior to their stated maturity date.

SECTION 4. AMENDMENT OF SECTION 5 OF RESOLUTION 2016-21. (i) Clause (g) of Section 5 of Resolution 2016-21 is hereby amended by inserting “(1)” after “(g)” and inserting a new clause “(2)” at the end thereof to read as follows:

“(2) if the Series Three 2017/8X Bonds of such installment maturing on a particular date and bearing interest at a particular rate are to be subject to extraordinary mandatory redemption, the terms and conditions of such extraordinary mandatory redemption;”.

(ii) Clause (h) of Section 5 of Resolution 2016-21 is hereby amended by inserting “(1)” after “(h)” and inserting a new clause “(2)” at the end thereof to read as follows:

“(2) if the Series Three 2017/8X Bonds of such installment maturing on a particular date and bearing interest at a particular rate are to be subject to special optional redemption, the terms and conditions upon which such Series Three 2017/8X Bonds shall be subject to such special optional redemption in whole at a redemption price to be determined by the Managing Director/CEO and to be included in the terms of such Series Three 2017/8X Bonds, plus accrued interest to the date of redemption, at any time prior to the first date on which the Series Three 2017/8X Bonds of such installment maturing on a particular date and bearing interest at a particular rate are subject to optional redemption in accordance with clause (h)(1) of this Section 5 at a redemption price of 100 percent of the principal amount thereof, plus accrued interest to the date of redemption;”.

SECTION 5. RATIFICATION OF RESOLUTION NO. 2016-21. Resolution No. 2016-21, as supplemented and amended, including as provided herein, is hereby ratified and confirmed and shall remain in full force and effect.

[Remainder of page intentionally left blank]

SECTION 6. EFFECTIVE DATE. This resolution shall take effect immediately upon its adoption.

ADOPTED THIS 12TH DAY OF DECEMBER, 2017.



JEA

By: _____
Name:
Title:

ATTEST:

By: _____
Secretary

Approved as to Form:

By: _____
Office of General Counsel

RESOLUTION NO. 2017-43

A RESOLUTION OF JEA SUPPLEMENTING AND AMENDING THE FIFTY-FIFTH SUPPLEMENTAL SUBORDINATED ELECTRIC SYSTEM RESOLUTION OF JEA FOR THE PURPOSE OF, (I) REVISING THE DELEGATION AUTHORITY TO INCLUDE THE AUTHORITY TO DETERMINE WHETHER JEA'S ELECTRIC SYSTEM SUBORDINATED REVENUE BONDS, 2017/8 SERIES X SHALL BE SUBJECT TO EXTRAORDINARY MANDATORY REDEMPTION OR SHALL BE SUBJECT TO SPECIAL OPTIONAL REDEMPTION AND, IN EITHER CASE, TO ESTABLISH THE TERMS AND CONDITIONS OF ANY SUCH EXTRAORDINARY MANDATORY REDEMPTION OR SPECIAL OPTIONAL REDEMPTION AND DELEGATING THE AUTHORITY TO DETERMINE CERTAIN MATTERS IN CONNECTION THEREWITH, (II) RATIFYING THE FIFTY-FIFTH SUPPLEMENTAL SUBORDINATED ELECTRIC SYSTEM RESOLUTION OF JEA, AND (III) PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED by JEA as follows:

SECTION 1. DEFINITIONS. Unless otherwise defined herein, or unless the context otherwise requires, all terms used herein shall have the meanings ascribed to them pursuant to the Fifty-Fifth Supplemental Subordinated Electric System Resolution.

SECTION 2. AUTHORITY FOR THIS RESOLUTION. This resolution is adopted pursuant to the provisions of the Act, as amended prior to the date hereof, the Electric System Resolution, and the Subordinated Resolution, and is supplemental to the Electric System Resolution, the Subordinated Resolution and the Fifty-Fifth Supplemental Subordinated Electric System Resolution.

SECTION 3. FINDINGS. It is hereby ascertained, determined and declared that:

(A) Pursuant to the Fifty-Fifth Supplemental Subordinated Electric System Resolution of JEA, as amended, among other things, JEA authorized the issuance of 2017/8 Series X Subordinated Bonds in an aggregate principal amount not to exceed \$533,000,000 for the purpose of current and/or advance refunding JEA's Outstanding Subordinated Bonds and providing that not to exceed \$400,000,000 principal amount of the 2017/8 Series X Subordinated Bonds may be issued for the purpose of refunding fixed rate Refunded Bonds.

(B) In light of recent discussions of the JEA Board of Directors ("JEA Board") that the JEA Board and the City of Jacksonville consider the financial benefits that would result from a privatization of JEA's Electric System and Water and Sewer System and whether the customers of JEA and the people of the City of Jacksonville would be better served by the private marketplace and that it is in the best interests of JEA to maximize the aggregate principal amount of 2017/8 Series X Subordinated Bonds that are issued where the interest thereon is excluded from gross income for federal income tax purposes in order to obtain the most favorable interest rates, JEA is required to include an additional redemption provision for the 2017/8 Series X Subordinated Bonds.

(C) JEA now therefore desires to supplement and amend the Fifty-Fifth Supplemental Subordinated Electric System Resolution to include the authorization for the Managing Director/CEO to provide for the extraordinary mandatory redemption or special optional redemption of the 2017/8 Series X Subordinated Bonds prior to their stated maturity date.

SECTION 4. AMENDMENT OF SECTION 203 OF FIFTY-FIFTH SUPPLEMENTAL SUBORDINATED ELECTRIC SYSTEM RESOLUTION OF JEA. (i) Clause (g) of Section 203 of the Fifty-Fifth Supplemental Subordinated Electric System Resolution is hereby amended by inserting “(1)” after “(g)” and inserting a new clause “(2)” at the end thereof to read as follows:

“(2) if the 2017/8 Series X Subordinated Bonds of such Series maturing on a particular date and bearing interest at a particular rate are to be subject to extraordinary mandatory redemption, the terms and conditions of such extraordinary mandatory redemption;”.

(ii) Clause (h) of Section 203 of the Fifty-Fifth Supplemental Subordinated Electric System Resolution is hereby amended by inserting “(1)” after “(h)” and inserting a new clause “(2)” at the end thereof to read as follows:

“(2) if the 2017/8 Series X Subordinated Bonds of such Series maturing on a particular date and bearing interest at a particular rate are to be subject to special optional redemption, the terms and conditions upon which such 2017/8 Series X Subordinated Bonds shall be subject to such special optional redemption in whole at a redemption price to be determined by the Managing Director/CEO and to be included in the terms of such 2017/8 Series X Subordinated Bonds, plus accrued interest to the date of redemption, at any time prior to the first date on which the 2017/8 Series X Subordinated Bonds of such Series maturing on a particular date and bearing interest at a particular rate are subject to optional redemption in accordance with clause (h)(1) of this Section 5 at a redemption price of 100 percent of the principal amount thereof, plus accrued interest to the date of redemption;”.

SECTION 5. RATIFICATION OF THE FIFTY-FIFTH SUPPLEMENTAL SUBORDINATED ELECTRIC SYSTEM RESOLUTION OF JEA. The Fifty-Fifth Supplemental Subordinated Electric System Resolution of JEA , as supplemented and amended, including as provided herein, is hereby ratified and confirmed and shall remain in full force and effect.

[Remainder of page intentionally left blank]

SECTION 6. EFFECTIVE DATE. This resolution shall take effect immediately upon its adoption.

ADOPTED THIS 12TH DAY OF DECEMBER, 2017.



JEA

By: _____
Name:
Title:

ATTEST:

By: _____
Secretary

Approved as to Form:

By: _____
Office of General Counsel

RESOLUTION NO. 2017-44

A RESOLUTION OF JEA SUPPLEMENTING AND AMENDING THE FORTY-THIRD SUPPLEMENTAL WATER AND SEWER SYSTEM REVENUE BOND RESOLUTION OF JEA FOR THE PURPOSE OF (I) REVISING THE DELEGATION AUTHORITY TO INCLUDE THE AUTHORITY TO DETERMINE WHETHER JEA'S WATER AND SEWER SYSTEM REVENUE BONDS, 2017/8 SERIES X SHALL BE SUBJECT TO EXTRAORDINARY MANDATORY REDEMPTION OR SHALL BE SUBJECT TO SPECIAL OPTIONAL REDEMPTION AND, IN EITHER CASE, TO ESTABLISH THE TERMS AND CONDITIONS OF ANY SUCH EXTRAORDINARY MANDATORY REDEMPTION OR SPECIAL OPTIONAL REDEMPTION AND DELEGATING THE AUTHORITY TO DETERMINE CERTAIN MATTERS IN CONNECTION THEREWITH; (II) RATIFYING THE FORTY-THIRD SUPPLEMENTAL WATER AND SEWER SYSTEM SYSTEM RESOLUTION OF JEA, AND (III) PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED by JEA as follows:

SECTION 1. DEFINITIONS. Unless otherwise defined herein, or unless the context otherwise requires, all terms used herein shall have the meanings ascribed to them pursuant to the Forty-Third Supplemental Water and Sewer System Revenue Bond Resolution.

SECTION 2. AUTHORITY FOR THIS RESOLUTION. This resolution is adopted pursuant to the provisions of the Act, as amended prior to the date hereof, and the Bond Resolution in accordance with Article II and Article X of the Bond Resolution.

SECTION 3. FINDINGS. It is hereby ascertained, determined and declared that:

(A) Pursuant to the Forty-Third Supplemental Water and Sewer System Revenue Bond Resolution, as amended, among other things, JEA authorized the issuance of 2017/8 Series X Bonds in one or more Series in an aggregate principal amount not to exceed \$603,000,000 for the purpose of current and/or advance refunding JEA's Outstanding Water and Sewer System Revenue Bonds and providing that not to exceed \$465,000,000 principal amount of the 2017/8 Series X Bonds may be issued for the purpose of refunding fixed rate Refunded Bonds.

(B) In light of recent discussions of the JEA Board of Directors ("JEA Board") that the JEA Board and the City of Jacksonville consider the financial benefits that would result from a privatization of JEA's Electric System and Water and Sewer System and whether the customers of JEA and the people of the City of Jacksonville would be better served by the private marketplace and that it is in the best interests of JEA to maximize the aggregate principal amount of 2017/8 Series X Bonds that are issued where the interest thereon is excluded from gross income for federal income tax purposes in order to obtain the most favorable interest rates, JEA is required to include an additional redemption provision for the 2017/8 Series X Bonds.

(C) JEA now therefore desires to supplement and amend the Forty-Third Supplemental Water and Sewer System Revenue Bond Resolution to include the authorization for the Managing Director/CEO to provide for the extraordinary mandatory redemption or the special optional redemption of the 2017/8 Series X Bonds prior to their stated maturity date.

SECTION 4. AMENDMENT OF SECTION 5 OF THE FORTY-THIRD SUPPLEMENTAL WATER AND SEWER SYSTEM REVENUE BOND RESOLUTION.

1. Clause (g) of Section 5 of the Forty-Third Supplemental Water and Sewer System Revenue Bond Resolution is hereby amended by inserting “(1)” after “(g)” and inserting a new clause “(2)” at the end thereof to read as follows:

“(2) if the 2017/8 Series X Bonds of such Series maturing on a particular date and bearing interest at a particular rate are to be subject to extraordinary mandatory redemption, the terms and conditions of such extraordinary mandatory redemption;”.

2. Clause (h) of Section 5 of the Forty-Third Supplemental Water and Sewer System Revenue Bond Resolution is hereby amended by inserting “(1)” after “(h)” and inserting a new clause “(2)” at the end thereof to read as follows:

“(2) if the 2017/8 Series X Bonds of such Series maturing on a particular date and bearing interest at a particular rate are to be subject to special optional redemption, the terms and conditions upon which such 2017/8 Series X Bonds of such Series shall be subject to such special optional redemption in whole at a redemption price to be determined by the Managing Director/CEO and included in the terms of such 2017/8 Series X Bonds of such Series, plus accrued interest to the date of redemption, at any time prior to the first date on which 2017/8 Series X Bonds of such Series maturing on a particular date and bearing interest at a particular rate are subject to optional redemption in accordance with clause (h)(1) of this Section 5 at a redemption price of 100 percent of the principal amount thereof, plus accrued interest to the date of redemption;”.

SECTION 5. RATIFICATION OF THE FORTY-THIRD SUPPLEMENTAL WATER AND SEWER SYSTEM REVENUE BOND RESOLUTION. The Forty-Third Supplemental Water and Sewer System Revenue Bond Resolution, as supplemented and amended, including as provided herein, is hereby ratified and confirmed and shall remain in full force and effect.

[Remainder of page intentionally left blank]

SECTION 6. EFFECTIVE DATE. This resolution shall take effect immediately upon its adoption.

ADOPTED THIS 12TH DAY OF DECEMBER, 2017.



JEA

By: _____
Name:
Title:

ATTEST:

By: _____
Secretary

Approved as to Form:

By: _____
Office of General Counsel

RESOLUTION NO. 2017-45

A RESOLUTION OF JEA SUPPLEMENTING AND AMENDING THE EIGHTEENTH SUPPLEMENTAL WATER AND SEWER SYSTEM SUBORDINATED REVENUE BOND RESOLUTION OF JEA FOR THE PURPOSE OF (I) REVISING THE DELEGATION AUTHORITY TO INCLUDE THE AUTHORITY TO DETERMINE WHETHER JEA'S WATER AND SEWER SYSTEM SUBORDINATED REVENUE BONDS, 2017/8 SERIES X SHALL BE SUBJECT TO EXTRAORDINARY MANDATORY REDEMPTION OR SHALL BE SUBJECT TO SPECIAL OPTIONAL REDEMPTION AND, IN EITHER CASE, TO ESTABLISH THE TERMS AND CONDITIONS OF ANY SUCH EXTRAORDINARY MANDATORY REDEMPTION OR SPECIAL OPTIONAL REDEMPTION AND DELEGATING THE AUTHORITY TO DETERMINE CERTAIN MATTERS IN CONNECTION THEREWITH; (II) RATIFYING THE EIGHTEENTH SUPPLEMENTAL WATER AND SEWER SYSTEM SUBORDINATED SYSTEM RESOLUTION OF JEA, AND (III) PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED by JEA as follows:

SECTION 1. DEFINITIONS. Unless otherwise defined herein, or unless the context otherwise requires, all terms used herein shall have the meanings ascribed to them pursuant to the Eighteenth Supplemental Water and Sewer System Subordinated Revenue Bond Resolution.

SECTION 2. AUTHORITY FOR THIS RESOLUTION. This resolution (i) is adopted pursuant to the provisions of the Act, as amended prior to the date hereof, and in accordance with (A) Article X of the Resolution and (B) Article II and Article X of the Subordinated Resolution and (ii) supplements the Resolution, the Subordinated Resolution and the Eighteenth Supplemental Water and Sewer System Subordinated Revenue Bond Resolution, as amended.

SECTION 3. FINDINGS. It is hereby ascertained, determined and declared that:

(A) Pursuant to the Eighteenth Supplemental Water and Sewer System Subordinated Revenue Bond Resolution, as amended, among other things, JEA authorized the issuance of 2017/8 Series X Subordinated Bonds in one or more Series in an aggregate principal amount not to exceed \$265,000,000 for the purpose of current and/or advance refunding JEA's Outstanding Water and Sewer System Subordinated Revenue Bonds and providing that not to exceed \$155,000,000 principal amount of the 2017/8 Series X Subordinated Bonds may be issued for the purpose of refunding fixed rate Refunded Subordinated Bonds.

(B) In light of recent discussions of the JEA Board of Directors ("JEA Board") that the JEA Board and the City of Jacksonville consider the financial benefits that would result from a privatization of JEA's Electric System and Water and Sewer System and whether the customers of JEA and the people of the City of Jacksonville would be better served by the private marketplace and that it is in the best interests of JEA to maximize the aggregate principal

amount of 2017/8 Series X Subordinated Bonds that are issued where the interest thereon is excluded from gross income for federal income tax purposes in order to obtain the most favorable interest rates, JEA is required to include an additional redemption provision for the 2017/8 Series X Subordinated Bonds.

(C) JEA now therefore desires to supplement and amend the Eighteenth Supplemental Water and Sewer System Subordinated Revenue Bond Resolution to include the authorization for the Managing Director/CEO to provide for the extraordinary mandatory redemption or the special optional redemption of the 2017/8 Series X Subordinated Bonds prior to their stated maturity date.

SECTION 4. AMENDMENT OF SECTION 5 OF THE EIGHTEENTH SUPPLEMENTAL WATER AND SEWER SYSTEM SUBORDINATED REVENUE BOND RESOLUTION. 1. Clause (g) of Section 5 of the Eighteenth Supplemental Water and Sewer System Subordinated Revenue Bond Resolution is hereby amended by inserting “(1)” after “(g)” and inserting a new clause “(2)” at the end thereof to read as follows:

“(2) if the 2017/8 Series X Subordinated Bonds of such Series maturing on a particular date and bearing interest at a particular rate are to be subject to extraordinary mandatory redemption, the terms and conditions of such extraordinary mandatory redemption;”.

2. Clause (h) of Section 5 of the Eighteenth Supplemental Water and Sewer System Subordinated Revenue Bond Resolution is hereby amended by inserting “(1)” after “(h)” and inserting a new clause “(2)” at the end thereof to read as follows:

“(2) if the 2017/8 Series X Subordinated Bonds of such Series maturing on a particular date and bearing interest at a particular rate are to be subject to special optional redemption, the terms and conditions upon which such 2017/8 Series X Subordinated Bonds of such Series shall be subject to such special optional redemption in whole at a redemption price to be determined by the Managing Director/CEO and included in the terms of such 2017/8 Series X Subordinated Bonds of such Series, plus accrued interest to the date of redemption, at any time prior to the first date on which 2017/8 Series X Subordinated Bonds of such Series maturing on a particular date and bearing interest at a particular rate are subject to optional redemption in accordance with clause (h)(1) of this Section 5 at a redemption price of 100 percent of the principal amount thereof, plus accrued interest to the date of redemption;”.

SECTION 5. RATIFICATION OF THE EIGHTEENTH SUPPLEMENTAL WATER AND SEWER SYSTEM SUBORDINATED REVENUE BOND RESOLUTION. The Eighteenth Supplemental Water and Sewer System Subordinated Revenue Bond Resolution, as supplemented and amended, including as provided herein, is hereby ratified and confirmed and shall remain in full force and effect.

[Remainder of page intentionally left blank]

SECTION 6. EFFECTIVE DATE. This resolution shall take effect immediately upon its adoption.

ADOPTED THIS 12TH DAY OF DECEMBER, 2017.



JEA

By: _____
Name:
Title:

ATTEST:

By: _____
Secretary

Approved as to Form:

By: _____
Office of General Counsel

III. B. 4.

Monthly Operational and Financial Review

Due to the earlier date of the December 12, 2017 Board Meeting, the Monthly Operational and Financial Review will be provided prior to the Board Meeting.

IV. Reports
Finance & Audit Committee

JEA
FINANCE & AUDIT COMMITTEE AGENDA

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

			Responsible Person	Action (A) Info (I)	Total Time
I.	OPENING CONSIDERATIONS		Kelly Flanagan		
	A.	Call to Order			
	B.	Adoption of Agenda		A	
	C.	Approval of Minutes – August 7, 2017	Melissa Charleroy	A	
II.	NEW BUSINESS				
	A.	Audit Services – Quarterly ERM/Audit Update	Steve Tuten/Frank DiBenedetto	I	5 mins.
	B.	Ethics Officer Quarterly Report	Walette Stanford	I	5 mins.
	C.	Treasury			
	1.	Electric System and Water and Sewer System Reserve Fund Quarterly Report	Joe Orfano	I	5 mins.
	D.	JEA Energy Market Risk Management Policy Report	Steve McInall	I	5 mins.
	E.	Ernst & Young FY2017 External Audit Report	John DiSanto	I	45 mins.
	F.	Announcements			
	1.	Next Meeting, March 12, 2018, 8:00 – 10:00 AM			
	G.	Committee Discussion Sessions			
	1.	Ernst & Young	John DiSanto	I	5 mins.
	2.	Director, Audit Services	Steve Tuten	I	5 mins.
	3.	Council Auditor's Office	Jeff Rodda	I	5 mins.
		Adjournment			

IV. A. 1.

Approval of Minutes - August 7, 2017

JEA FINANCE & AUDIT COMMITTEE MINUTES
August 7, 2017

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

Agenda Item I – Opening Considerations

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

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

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

Agenda Item II – New Business

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

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

Closing Considerations

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

APPROVED BY:

Kelly Flanagan, Committee Chair

Date: _____

Submitted by:

Melissa Charleroy
Executive Assistant

IV.A. 2.

Audit Services - Quarterly ERM/Audit Update



Building Community

AGENDA ITEM SUMMARY

November 15, 2017

SUBJECT:	AUDIT SERVICES – QUARTERLY ENTERPRISE RISK MANAGEMENT (ERM)/AUDIT UPDATE
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Purpose:	<input checked="" type="checkbox"/> Information Only	<input type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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Issue: The Quarterly ERM/Audit Update provides the JEA Board of Directors with information on the current Internal Audit, Enterprise Risk Management and Ethics Investigations & Audit activities.

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

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

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

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

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

Submitted by: PEM/TEH/SVT

MISSION

Energizing our community through high-value energy and water solutions.

VISION

JEA is a premier service provider, valued asset and vital partner in advancing our community.

VALUES

- Safety
- Service
- Growth?
- Accountability
- Integrity

Commitments to Action

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

Audit Services Q4 FY17 Report

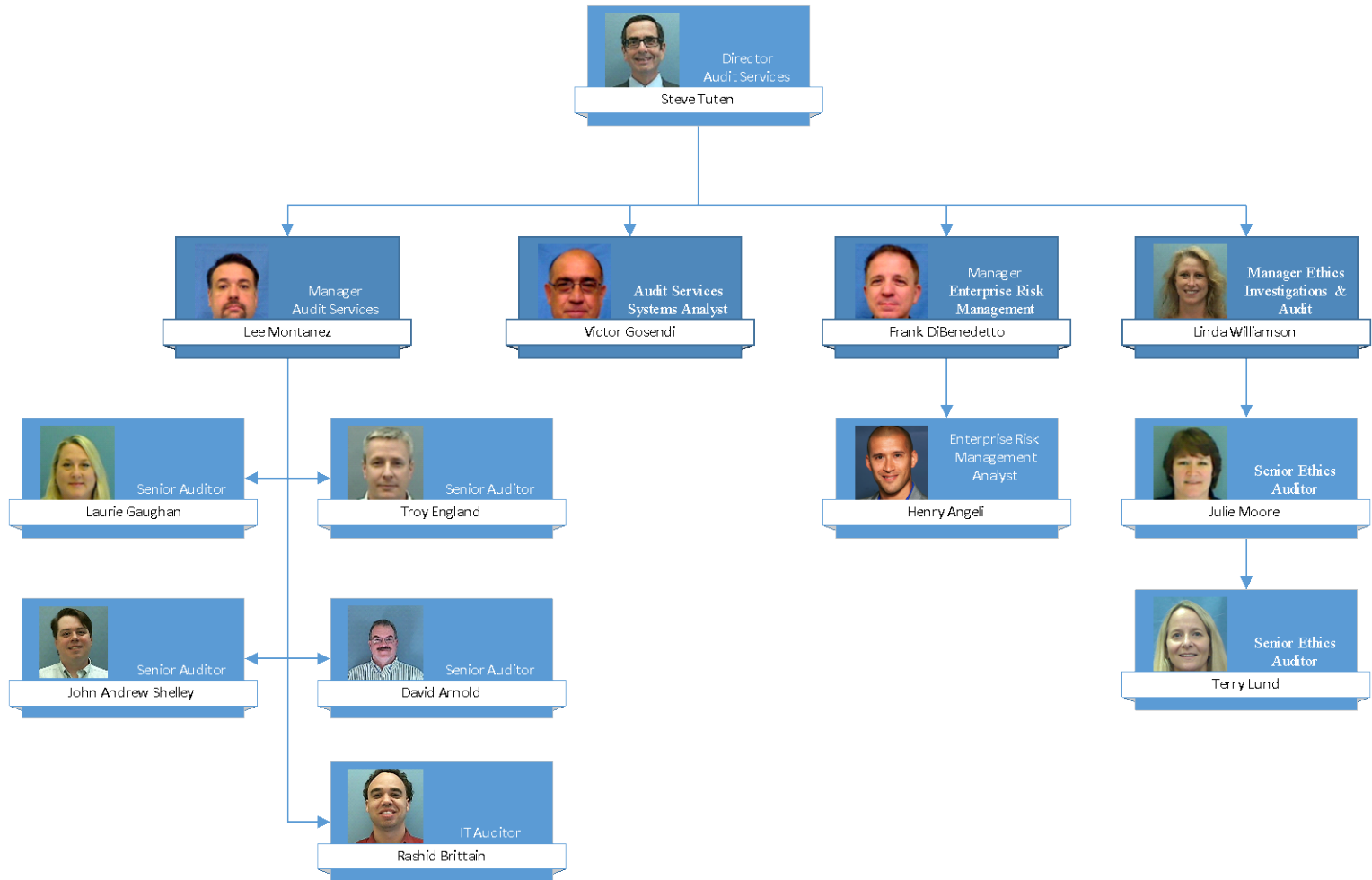
JEA Finance & Audit Committee
December 5, 2017



Audit Services Q4 FY17 Report – Table of Contents

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

Audit Services Organization Chart



Internal Audit Team Highlights

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

FY17 Internal Audit Plan – Schedule

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

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

Notes:

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

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



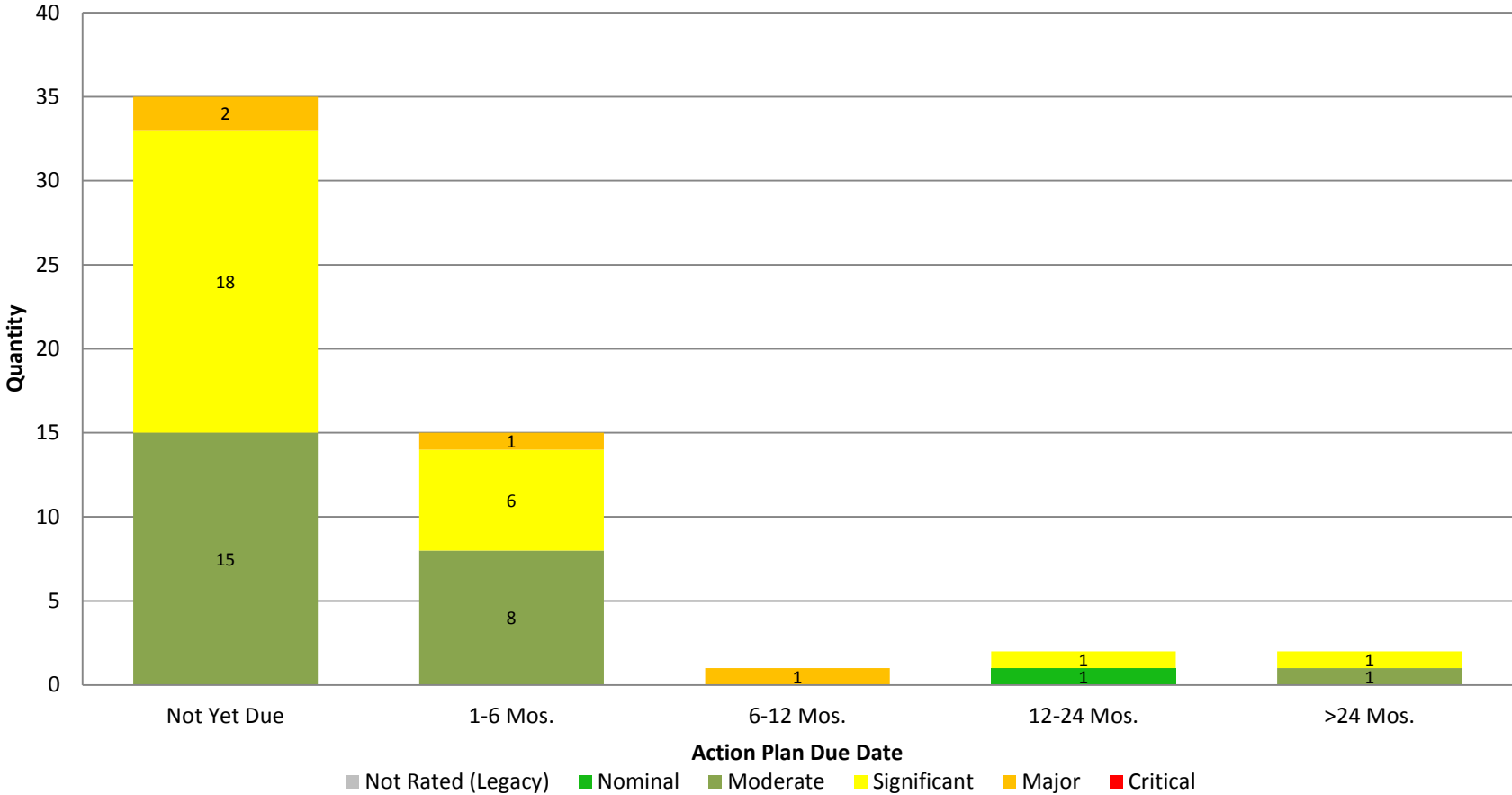
FY18 Internal Audit Plan – Schedule

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

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

Open Audit and Investigation Report Issues

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



ERM Corporate Risk Heat Map

Top Corporate Risks

Score

Tier 1 (See p. 10)

10-25

Tier 2 (See p. 11)

5-9

Tier 3 (See p. 12)

1-4

Impact x
Likelihood

Score

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



The risk score is a factor of the risk impact x likelihood which helps us evaluate the criticality of the risks and the need for mitigation.

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

Risk E= Electric, W= Water/Wastewater, F= Financial, H= Human Resources, T= Technology, C= Corporate-wide. Risks are in order by risk score within Business Function	FY14				FY15				FY16				FY17				Long Term Risk Exposure Trend (> 5 Years)	Change
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Electric Risks																		
E01 - Carbon Emission Mitigation	20	20	25	25	25	25	25	25	25	25	25	25	25	25	20	15	↔ Stable	X
E04 - Adverse Electric Commodity Supply and Pricing	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	↔ Stable	
E03 - Coal Combustion Residual Rule (CCR)	15	15	15	15	15	15	10	10	10	10	10	10	15	15	15	15	↔ Stable	
E05 - Cooling Water Intake Structures 316(b)	10	10	10	10	10	10	10	10	10	10	10	10	20	20	20	20	↔ Stable	
E06 - Long-term Planning/Load Forecast - Electric	6	6	10	10	10	10	10	10	10	10	10	10	10	10	10	10	↑ Increasing	
E07 - Critical Infrastructure Protection (CIP) Compliance	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	↑ Increasing	
Water/Wastewater Risks																		
W01 - Water Supply Management/Long Term Planning	12	12	12	15	15	15	15	15	15	15	15	15	15	15	15	15	↑ Increasing	
W03 - Sanitary Sewer Overflow Management	6	6	6	6	6	8	8	8	8	8	8	8	12	12	12	12	↓ Decreasing	
Corporate Wide Risks																		
H01 - Pensions	16	20	20	20	20	20	20	20	20	20	20	20	20	20	16	16	↔ Stable	
F01 - Revenues and Expenses Management	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	↑ Increasing	
C01 - Customer Relationship Management	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	↔ Stable	
C02 - Physical Security (Facilities Infrastructure Security and Regulatory Compliance)	9	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	↑ Increasing	
C03 - New Technology			12	12	12	12	12	12	12	12	12	12	12	12	12	12	↑ Increasing	
C16 - Weather & Climate Change Impact									15	15	15	15	15	15	15	15	↑ Increasing	

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



ERM – Top Corporate Risk Score Changes

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

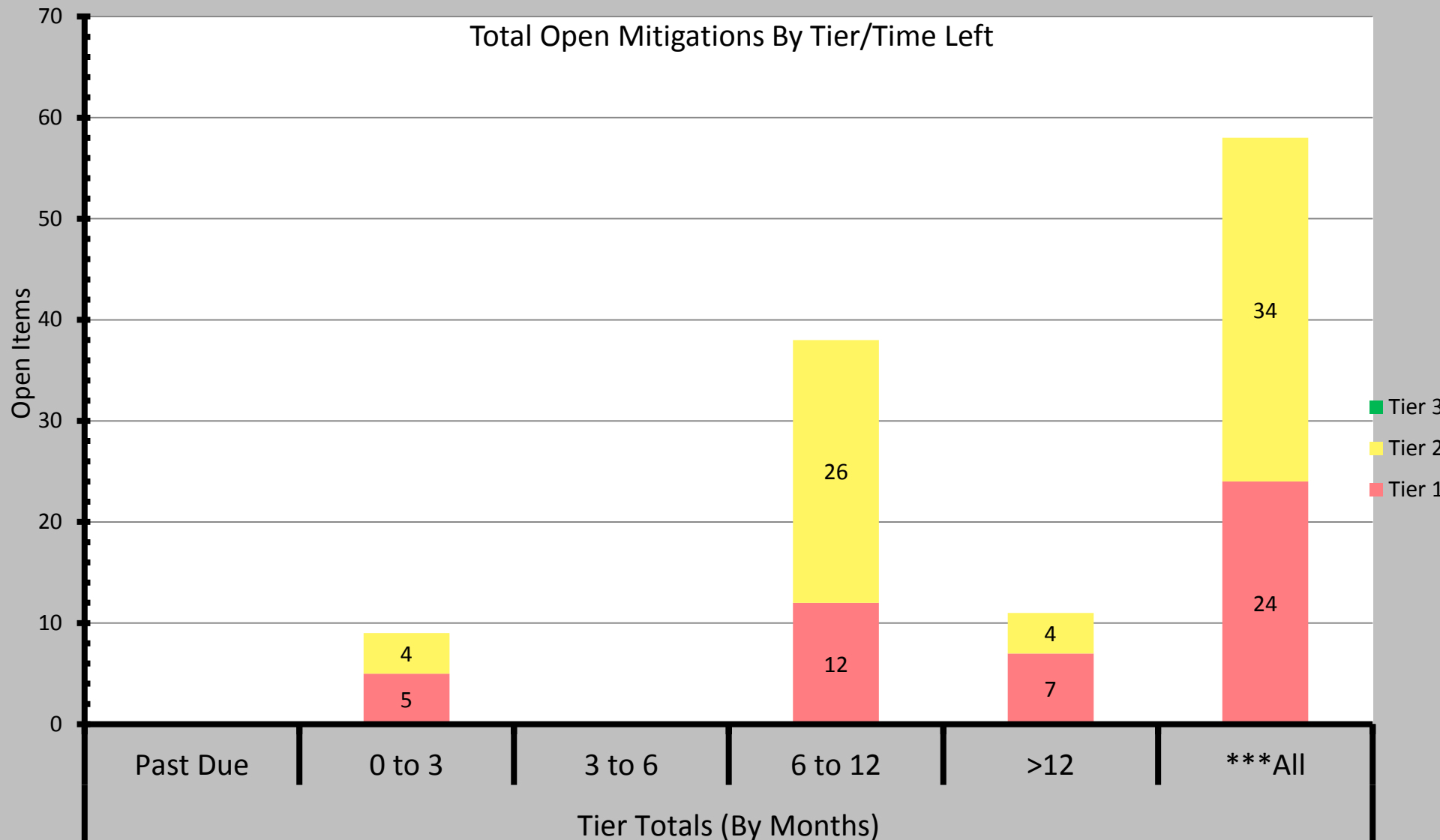
ERM – Tier 2 Top Corporate Risk Trends (Q4 FY17)

Risk E= Electric, W= Water/Wastewater. F= Financial, H= Human Resources, T= Technology, C= Corporate-wide. Risks are in order by risk score within Business Function	FY14				FY15				FY16				FY17				Long Term Risk Exposure Trend (> 5 Years)	Change
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Electric Risks																		
E02 - Effluent Limitation Guidelines	16	16	16	16	16	16	16	16	16	16	16	20	20	15	8	8	↔ Stable	
E09 - FERC/NERC (Section 693) O&P Reliability & Compliance	9	9	9	8	8	8	8	8	8	8	8	8	8	8	8	8	↔ Stable	
E10 - Nuclear Power Portfolio	8	8	8	8	8	8	8	8	8	8	8	8	8	8	9	8	↑ Increasing	
E08 - SJRPP	9	9	9	9	9	9	9	9	9	9	9	9	9	9	6	6	↓ Decreasing	
E11 - Infrastructure Maintenance - Electric Systems Assets	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
E20 - Operations Technology Management - Electric	4	4	4	4	4	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
E12 - By Product Management	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
E13 - Infrastructure Destruction Due to Severe Weather	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
Water/Wastewater Risks																		
W02 - Operations Technology Management - Water/Wastewater Systems	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	↔ Stable	
W04 - Infrastructure Maintenance - Water/Waste Water Systems	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
Corporate Wide Risks																		
C05 - Records Management	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	↔ Stable	
C06 - Fraud Risk Management	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	↑ Increasing	
T02 - Cyber Security Information Protection	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	↑ Increasing	
H02 - Staffing	12	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	↔ Stable	
H03 - Public and Employee Safety	6	6	9	9	9	9	9	9	9	9	9	9	9	9	9	9	↔ Stable	
T01 - Technology Infrastructure Reliability	12	12	12	12	12	4	4	4	4	8	8	8	8	8	8	8	↔ Stable	
T03 - Cyber Security Business Disruption						8	8	8	8	8	8	8	8	8	8	8	↑ Increasing	
T04 - Technology Services Disaster Recovery/Business Continuity						8	8	8	8	8	8	8	8	8	8	8	↔ Stable	
T05 - Technology Services Resource Optimization									9	9	9	9	9	9	9	9	↑ Increasing	
C07 - Disaster Recovery/Business Continuity	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	↔ Stable	
C08 - Black Swan (High Impact - Low probability event)	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	↔ Stable	
F03 - Credit Availability/Cost	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
C09 - Other Regulatory Compliance	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
F04 - Counterparty Risk	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	↔ Stable	
C04 - External Influence on Policy	9	10	10	10	10	10	10	10	10	8	8	8	8	8	8	8	↔ Stable	
W06 - Water Quality Management										8	8	8	8	8	8	8	↔ Stable	

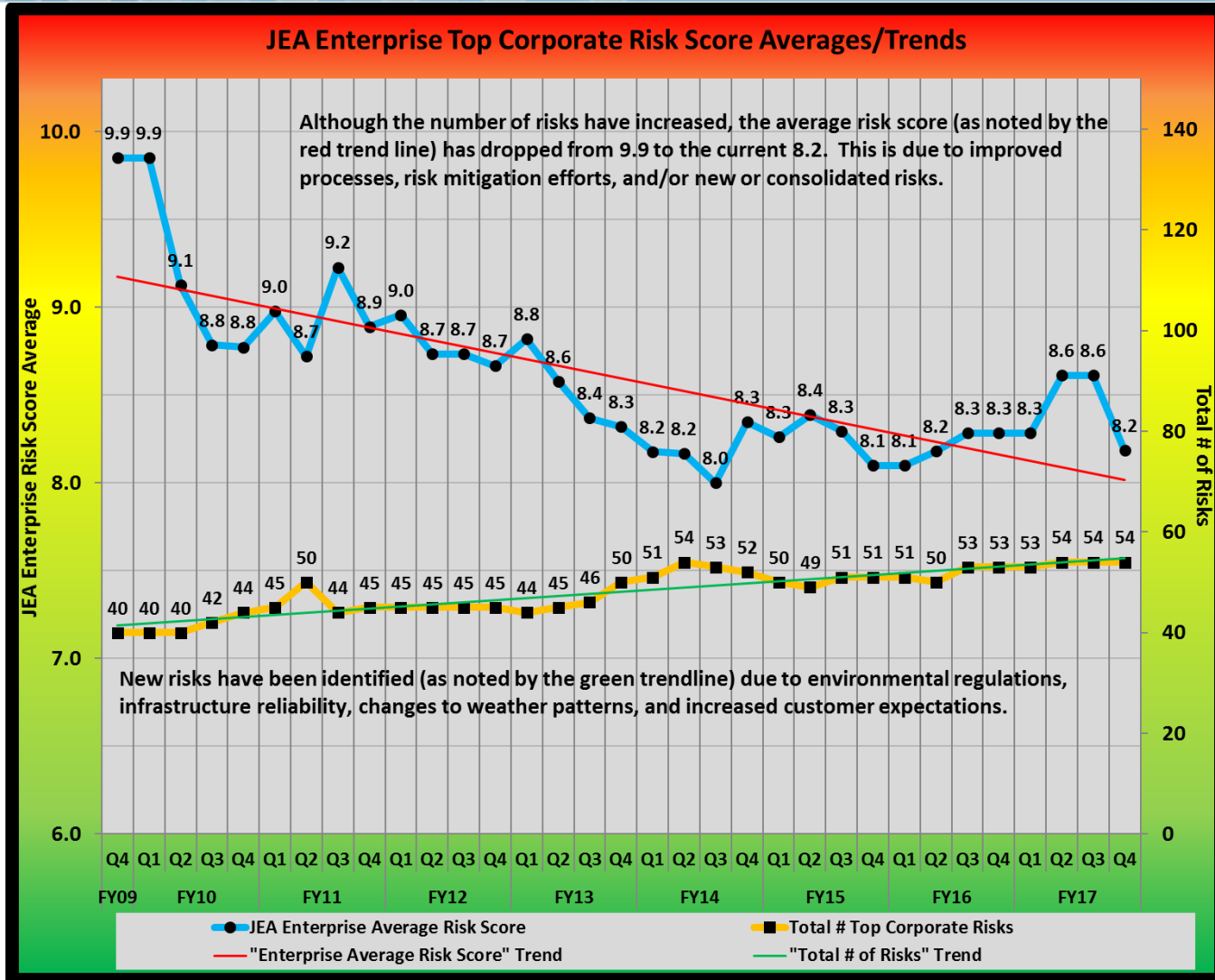


These risks are primarily operational in nature. Although the impact can still be significant, JEA has more flexibility in mitigating the risks.

ERM – Open Mitigations – Tier and Timeframe

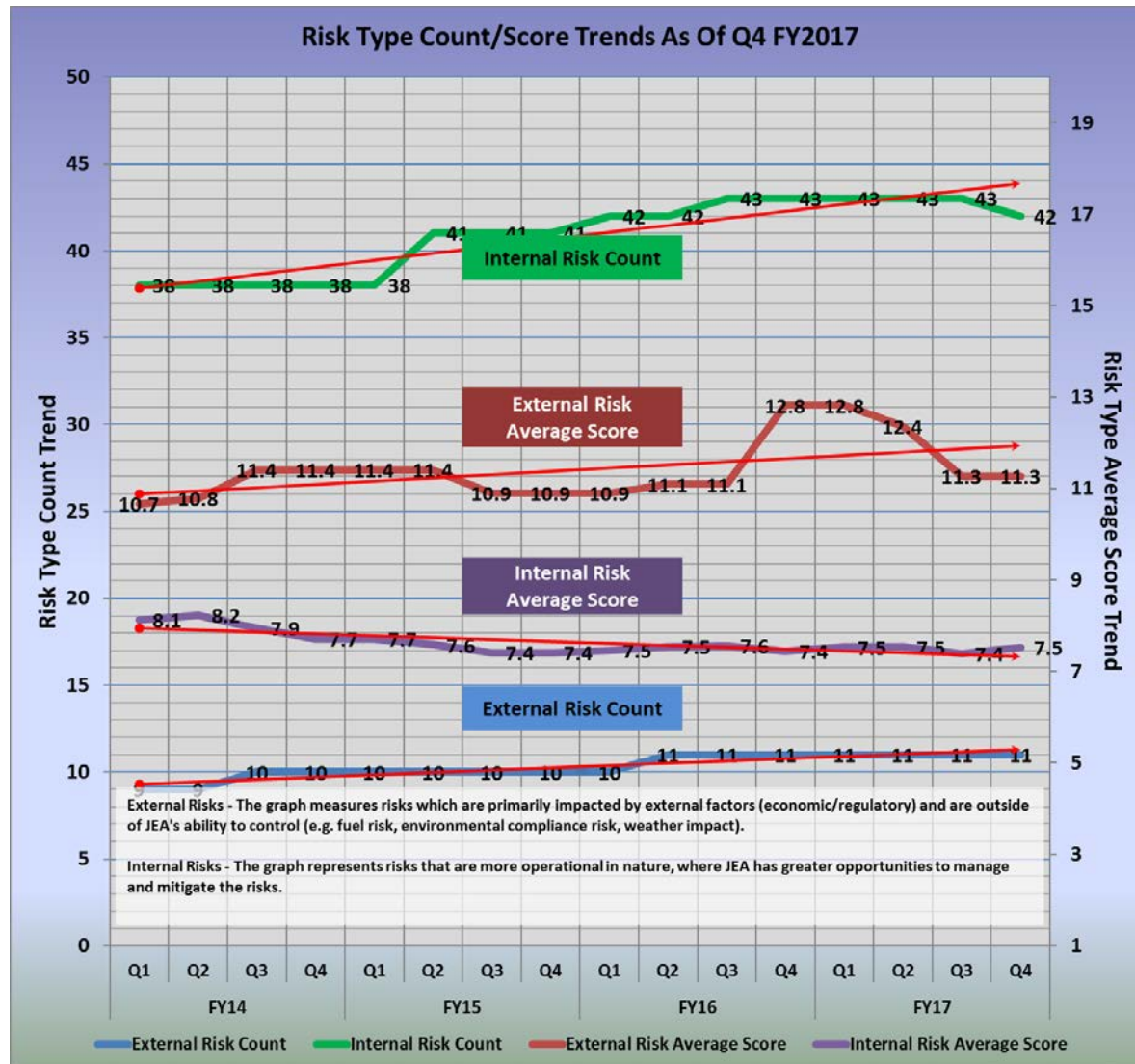


ERM – Top Corporate Risk Score Trends



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

ERM – Top Corporate Risk Type Trends



ERM – Current Projects

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

Ethics Hotline (EHL) Case Statistics – 4Q FY17

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

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

Summary of Closed EHL Cases - 4Q FY17

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

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

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

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

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

IV.A.3.
Ethics Officer Quarterly Report



Building Community

AGENDA ITEM SUMMARY

November 13, 2017

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

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

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

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

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

Recommended Board action: This item is for information only.

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

Submitted by: PEM/ARH/WMS

MISSION	VISION	VALUES
		
Energizing our community through high-value energy and water solutions.	JEA is a premier service provider, valued asset and vital partner in advancing our community.	<ul style="list-style-type: none"> • Safety • Service • Growth² • Accountability • Integrity

Commitments to Action

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

JEA

Ethics Officer Report

December 5, 2017

Creating an Ethical Culture

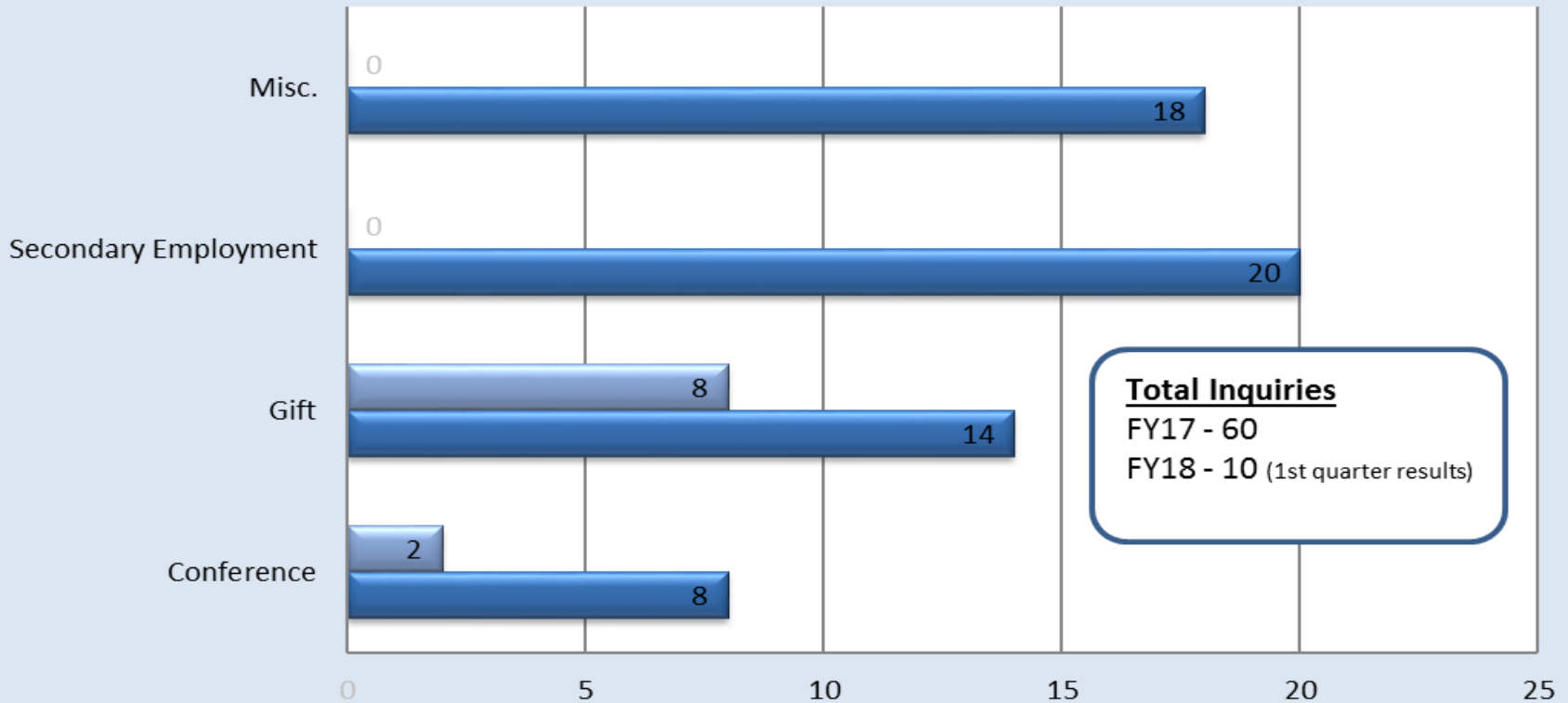
JEA will conduct its business fairly, impartially, in an ethical and proper manner, and in full compliance with all applicable laws and regulations.

Walette Stanford, Ethics Officer
JEA/SJRPP



FY 17/FY18 Comparisons

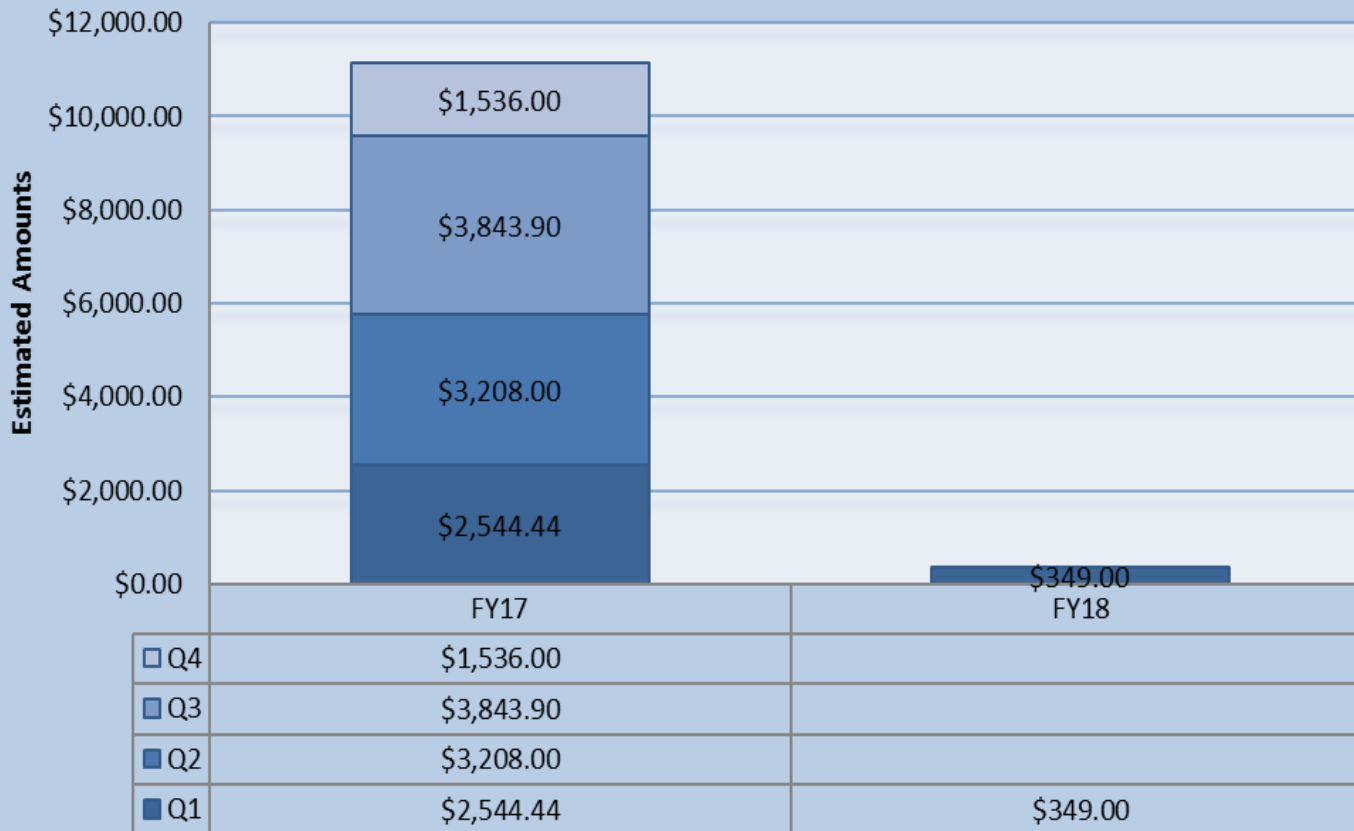
Ethics Inquiries Comparison FY17/FY18



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

FY17/FY18 Gift Registry

FY17/FY18 Gift Registry Estimates Comparison Per Quarter



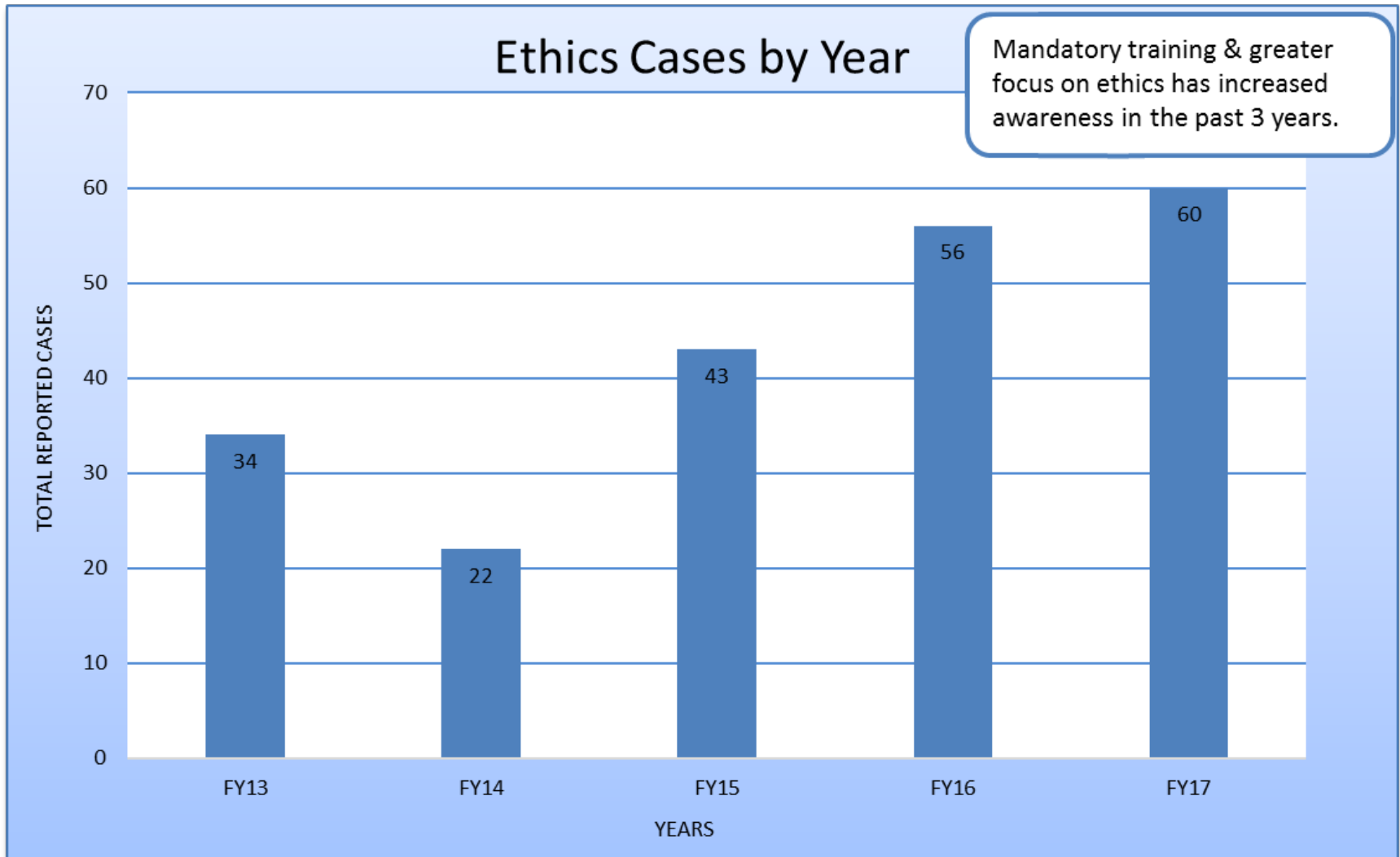
Food Items: Lunch voucher, popcorn; Sweet Pete candy basket, mixed nuts, Peterbrooke's popcorn

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

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

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

Ethics Officer Cases - Five Years in Review



Business Ethics Update and What's Next

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



IV.A.4.

Electric System and Water and Sewer System Reserve Fund Quarterly Report



Building Community

AGENDA ITEM SUMMARY

November 13, 2017

SUBJECT:	ELECTRIC SYSTEM AND WATER AND SEWER SYSTEM RESERVE FUND QUARTERLY REPORT
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Purpose:	<input checked="" type="checkbox"/> Information Only	<input type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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Issue: Electric System and Water and Sewer System Reserve Fund Quarterly Report as of September 30, 2017. This report is provided for transparency into JEA’s reserve fund accounts and various cash balances.

Significance: High. JEA’s liquidity position is an important balance between operating security and flexibility, financial metrics, and carrying cost of cash.

Effect: JEA operational needs, bond resolution requirements, and credit ratings.

Cost or Benefit: JEA’s reserves are an important component of operating security and flexibility, a critical credit ratings factor.

Recommended Board action: No action required; provided for information only.

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

Submitted by: PEM/MHD/JEO/BHG

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

Commitments to Action

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



INTER-OFFICE MEMORANDUM

November 13, 2017

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

FROM: Paul E. McElroy, Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair
Husein Cumber

BACKGROUND:

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

DISCUSSION:

Attached are the reserve fund schedules referenced above for the period ending September 30, 2017.

RECOMMENDATION:

No action required; provided for information only.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/JEO/BHG

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

For the Fiscal Quarter Ending September 30, 2017

(In Thousands of Dollars)

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

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

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

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

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

Funds Established Per the Bond Resolutions

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

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

Electric System Debt Management Reserve

For the Fiscal Quarter Ending September 30, 2017

Reserve/Fund Authorization: Debt Management Policy

Metric: One-half percent of the par amount of outstanding variable debt (adjusted for variable to fixed rate long term swaps). Capped at 3% of the par amount of outstanding variable debt

Definitions and Goals: For the period FY 04 through FY 09, an annual budgeted reserve contribution for variable rate debt was made. The calculation was based upon one half percent of the par amount of outstanding variable rate debt (adjusted for variable rate to fixed rate long term swaps). The budget reserve was capped at three percent of the par amount of the outstanding variable rate debt. The reserve can be used for any lawful purpose including debt service, debt repayment, and capital outlay and must be approved in writing by the CEO.

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

	Historical					Statistical			
	2012	2013	2014	2015	2016	Low	Median	Mean	High
Opening Balance	\$ 12,257	\$ 12,257	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,903	\$ 12,257
Additions:									
Contributions	-	-	-	-	-	-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Withdrawals	-	12,257				-	6,129	6,129	12,257
Sub-total	\$ -	\$ 12,257	\$ -	\$ -	\$ -	-	-	-	-
Ending balance	\$ 12,257	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,451	\$ 12,257

Observations:

- This reserve fund discontinued contributions in FY 2009 due to adoption of new policy. Reserve activity reflected in RSF - Debt Management for that year.
- A portion of this reserve was used to pay on interest rate swap terminations in connection with a refunding of variable rate debt in February 2013, and the remainder was used in Sept 2013 for a defeasance.

Electric System Self Insurance - Property

For the Fiscal Quarter Ending September 30, 2017

Reserve/Fund Authorization: Budget Appropriation

Metric: Budgeted Deposit = \$10 million

Definitions and Goals: JEA's self-insurance fund is for catastrophic damage to JEA's electric lines (transmission and distribution) caused by the perils of hurricanes, tornadoes, and ice storms. This fund was established in October, 1992, as an alternative to JEA's procurement of commercial property insurance.

<i>(In Thousands)</i>	Actual as of 09/30/2017		Full Year			Projection		
	Current Quarter	Year -to-Date	2017 Forecast	2017 Budget	Prior Year Actual	<u>2018</u>	<u>2019</u>	<u>2020</u>
Opening Balance	\$ 10,000	\$ 10,000	\$ 10,000	N/A	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Additions:								
Reserve Contribution				N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deductions:								
Reserve Withdrawal				N/A				
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ 10,000	\$ 10,000	\$ 10,000	N/A	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000

	Historical					Statistical			
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	Low	Median	Mean	High
Opening Balance	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Additions:									
Reserve Contribution						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Reserve Withdrawal						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Ending balance	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000

Electric System Self Insurance - Employee Health Insurance

For the Fiscal Quarter Ending September 30, 2017

Reserve/Fund Authorization: Florida Statute for self insured government plans

Metric: An actuary calculates amount annually

Definitions and Goals: This reserve fund is a requirement under Florida Statute 112.08 that requires self insured government plans to have enough money in a reserve fund to cover the Incurred But Not Reimbursed (IBNR) claims and a 60 day surplus of claims. The IBNR claims are claims that would still need to be paid if the company went back to a fully insured plan or dropped coverage all together. An actuary calculates this amount annually.

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

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

Observations:

- Self Insurance for Employee Health Insurance began in July 2009.
 - Projections are using the 8% rate of increase based on information obtained from the Actuarial Memorandum and Report.
- Calendar year data is presented above in fiscal year format.

Electric System Rate Stabilization - Fuel Management

For the Fiscal Quarter Ending September 30, 2017

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: Targeted 15% of total annual projected energy costs

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

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

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

Observations:

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

Electric System Rate Stabilization - Demand Side Management (DSM)

For the Fiscal Quarter Ending September 30, 2017

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: \$0.50 per 1,000 kWh plus \$0.01 per kWh residential conservation charge for consumption greater than 2,750 KWh monthly

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which contributions or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Fund provides a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Pursuant to section VII of the Pricing Policy, \$0.50 per 1,000 kWh plus \$0.01 per kWh residential conservation charge for consumption greater than 2,750 kWh monthly. These revenue sources are to fund demand side management and conservation programs.

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

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

Observations:

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

Electric System Rate Stabilization - Environmental

For the Fiscal Quarter Ending September 30, 2017

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: \$0.62 per 1,000 kWh

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which contributions or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Fund provides a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits to this fund began in fiscal year 2010 for amounts representing the Electric System Environmental Charge (\$0.62 per 1000 kWh). Withdrawals from this reserve will represent payments for regulatory initiatives such as the premium cost of renewable energy generation which is considered available for JEA's capacity plans.

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

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

Observations:

- Rate Stabilization Fund for Environmental began in June 2010.

Electric System Rate Stabilization - Debt Management

For the Fiscal Quarter Ending September 30, 2017

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: Difference in actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on unhedged variable rate debt

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which deposits or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Funds provide a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits are made to this Rate Stabilization Fund for the purpose of managing JEA's debt portfolio. Deposits to this reserve reflect the difference in the actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on the unhedged variable rate debt. Additionally, deposits can be made from excess debt service budget over the actual debt service expense for any fiscal year. However, the total amounts deposited (in addition to actual debt service costs for the fiscal year) cannot exceed the total amount of the budgeted debt service for any fiscal year. At a minimum, 50% of the calculated reserve contribution, if any, will be recorded and deposited each fiscal year. Debt and Investment Committee will review and record at their option an additional contribution amount, up to the full value of the calculated reserve contribution (the remaining 50%). The reserve contributions will be calculated on a system by system basis; however, based on the calculation, any mandatory deposit will exclude the District Energy System. The reserve contributions shall cease in the event the reserve balance exceeds the cap of five percent of the par amount of the total outstanding variable rate debt of all systems. Withdrawals from the Rate Stabilization Fund for Debt Management Strategy can be made for expenses related to market disruption in the capital markets, disruption in availability of credit or unanticipated credit expenses, or to fund variable interest costs in excess of budget.

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

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

Observations:

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

Electric System Rate Stabilization - Non-Fuel Purchased Power

For the Fiscal Quarter Ending September 30, 2017

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: Difference in actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on unhedged variable rate debt

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which deposits or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Funds provide a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits to the Rate Stabilization Fund for Non-Fuel Purchased Power Stabilization during the fiscal year are made with the approval of the CEO or CFO, provided such deposits are not in excess of JEA's total operating budget for the current fiscal year. Withdrawals from the Rate Stabilization Fund for Non-Fuel Purchased Power are to reimburse the costs associated with any non-fuel purchased power activities. Withdrawals can be made as necessary during the fiscal year and requires the approval of the CEO or the CFO.

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

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

Observations:

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

Electric System Environmental Reserve

For the Fiscal Quarter Ending September 30, 2017

Reserve/Fund Authorization: Pricing Policy

Metric: Target equals the balance in the environmental liability account

Definitions and Goals: This reserve represents the initial amounts collected from the Electric System Environmental Charge and will be deposited until the balance in this reserve equals the balance in the environmental liability account. Withdrawals from this account will represent payments for these liabilities.

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

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

Observations:

- The Environmental Reserve began in FY 2008.

Electric System Customer Deposits

For the Fiscal Quarter Ending September 30, 2017

Reserve/Fund Authorization: Management Directive 302 Credit and Collections and Internal Procedure CR40400 MBC302

Metric: Internal procedure CR40400 MBC302 Credit and Collections

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

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

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

Observations:

- JEA is in the process of implementing a prepaid meter program which could reduce customer deposits starting in Fiscal Year 2014.

Electric System Debt Service Sinking Fund

For the Fiscal Quarter Ending September 30, 2017

Reserve/Fund Authorization: Bond Resolution

Metric: Accrued interest and principal currently payable on fixed and variable rate bonds pursuant to the Bond Resolutions

Definitions and Goals: JEA is required monthly to fund from revenues an amount equal to the aggregate of the Debt Service Requirement for senior and subordinated bonds for such month into this account. On or before such interest payment date, JEA shall pay out of this account to the paying agents the amount required for the interest and principal due on such date.

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

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

Observations:

- September 30th ending balances are used to pay the October 1st interest and principal payments.
- This report does not include any Scherer debt service sinking funds.
- Timing differences occur due to the accrual of debt service during one fiscal year and the payment in the following fiscal year (primarily fixed rate principal and interest on October 1st of the following fiscal year).

Electric System Debt Service Reserve Account

For the Fiscal Quarter Ending September 30, 2017

Reserve/Fund Authorization: Bond Resolution

Metric: Maximum interest payable on outstanding senior Electric System bonds as required by the Bond Resolutions

Definitions and Goals: This reserve will be funded, maintained and held for the benefit of bondholders as specified in the Supplemental Resolution authorizing the sale of the bonds to pay principal and/or interest on the bonds should revenues from operations not be sufficient for such purpose in accordance with the appropriate bond resolution. It is JEA's current practice to fund this reserve account with cash from the sale of bonds; however, revenues may be utilized to fund this reserve if necessary.

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

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

Observations:

- This report does not include any Scherer debt service reserves.
- In FY 2007, the debt service reserve requirement was satisfied 100% by the use of debt service reserve surety policies. In accordance with the bond resolution, beginning in FY 2008, cash/investments replaced the downgraded sureties due to their downgrade by the rating agencies. Sureties of \$67.6 million are still outstanding but are not eligible to be utilized as debt service reserve deposits per the Bond Resolutions.
- The debt service reserve account balance is currently in excess of the the debt service reserve requirement under the bond resolution by \$8.0 million. The excess will be used, if needed, to (1) fund an increase in the reserve requirement caused by a future issuance of new money bonds and/or variable to fixed refunding bonds, (2) help satisfy cash reserve targets instituted by the rating agencies, and/or (3) redeem bonds, in accordance with applicable tax laws.

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

For the Fiscal Quarter Ending September 30, 2017

Reserve/Fund Authorization: Bond Resolution, Article 21 of the City of Jacksonville Charter and Pricing Policy

Metric: Renewal and Replacement required to deposit from the revenue fund annually an amount equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues per JEA's Electric System bond resolutions. Operating Capital Outlay - by 2013 the goal is to fund all non-capacity capital expenditures.

Definitions and Goals: Pursuant to the Electric System bond resolution and Article 21 of the City of Jacksonville Charter, JEA is required to deposit from the revenue fund annually an amount for Renewal and Replacement of system assets. According to the bond resolutions the amount is equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues. The funds shall be used for the purposes of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the Electric System. In addition, as a portion of the base rate, JEA will recover from current revenue a formula driven amount for capital expenditures which is referred to as Operating Capital Outlay. This amount is calculated separately from the R&R deposit and may be allocated for use between capacity or non-capacity related expenditures based on the most beneficial economic and tax related financing structure incorporating the use of internal and bond funding.

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

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

Observations:

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

Electric Construction / Bond Fund

For the Fiscal Quarter Ending September 30, 2017

Reserve/Fund Authorization: Bond Resolution

Metric: Target = Capital expenditures per year minus internal funding available

Definitions and Goals: JEA maintains a senior and subordinated construction fund of which bonds proceeds are deposited and used for the payment of the costs of additions, extensions and improvements to the Electric System. The senior construction fund is limited to the costs of additions, extension and improvements relating to non-generation capital expenditures. The subordinated construction fund is used for capital projects relating to all categories of capital expenditures but primarily targeted to fund generation capital expenditures.

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

(In Thousands)	Historical					Statistical			
	2012	2013	2014	2015	2016	Low	Median	Mean	High
Opening Balance	\$ 63,915	\$ 40,034	\$ 5,184	\$ 42	\$ 4	\$ -	\$ 2,613	\$ 18,197	\$ 63,915
Additions:									
Bond Proceeds		1,550				1,550	1,550	1,550	1,550
Line of Credit						-	-	-	-
Transfers b/w Capital Fds			3,091			3,091	3,091	3,091	3,091
Other		34	340	37	2	2	36	103	340
Sub-total	\$ -	\$ 1,584	\$ 3,431	\$ 37	\$ 2				
Deductions:									
Capital Expenditures	23,385	35,253	4,821	75	6	6	4,821	12,708	35,253
Bond Funded Interest						-	-	-	-
Line of Credit									
Transfers b/w Capital Fds		35	3,091			35	1,563	1,563	3,091
Other	496	1,146	661			496	661	768	1,146
Sub-total	\$ 23,881	\$ 36,434	\$ 8,573	\$ 75	\$ 6				
Ending balance	\$ 40,034	\$ 5,184	\$ 42	\$ 4	\$ -	\$ -	\$ 42	\$ 9,053	\$ 40,034

Observations:

- JEA's philosophy has been to borrow bond funds on a "just-in-time" basis. Staff has used line of credit borrowings and loans between capital funds to decrease borrowing costs.
- No new debt issues for the FY 2017 - 2019 projection period.

Water and Sewer Debt Management Reserve

For the Fiscal Quarter Ending September 30, 2017

Reserve/Fund Authorization: Debt Management Policy

Metric: One-half percent of the par amount of outstanding variable debt (adjusted for variable to fixed rate long term swaps). Capped at 3% of the par amount of outstanding variable debt.

Definitions and Goals: For the period FY 04 through FY 09, an annual budgeted reserve contribution for variable rate debt was made. The calculation was based upon one half percent of the par amount of outstanding variable rate debt (adjusted for variable rate to fixed rate long term swaps). The budget reserve was capped at three percent of the par amount of the outstanding variable rate debt. The reserve can be used for any lawful purpose including debt service, debt repayment, and capital outlay and must be approved in writing by the CEO.

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

	Historical					Statistical			
	2012	2013	2014	2015	2016	Low	Median	Mean	High
Opening Balance	\$ 6,458	\$ 6,458	\$ 304	\$ 304	\$ -	\$ -	\$ 304	\$ 2,705	\$ 6,458
Additions:									
Contributions						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Withdrawals		6,154		304		304	3,229	3,229	6,154
Sub-total	\$ -	\$ 6,154	\$ -	\$ 304	\$ -	-	-	-	-
Ending balance	\$ 6,458	\$ 304	\$ 304	\$ -	\$ -	\$ -	\$ 304	\$ 1,413	\$ 6,458

Observations:

- This reserve fund discontinued contributions in FY 2009 due to adoption of new policy. Reserve activity reflected in RSF - Debt Management for that year.
- \$6 million was used in Sept 2013 for a defeasance.

Water and Sewer Rate Stabilization Debt Management

For the Fiscal Quarter Ending September 30, 2017

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: Difference in actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on unhedged variable rate debt.

Definitions and Goals: The Water & Sewer System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which deposits or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Funds provide a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits are made to this Rate Stabilization Fund for the purpose of managing JEA's debt portfolio. Deposits to this reserve reflect the difference in the actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on the unhedged variable rate debt. Additionally, deposits can be made from excess debt service budget over the actual debt service expense for any fiscal year. However, the total amounts deposited (in addition to actual debt service costs for the fiscal year) cannot exceed the total amount of the budgeted debt service for any fiscal year. At a minimum, 50% of the calculated reserve contribution, if any, will be recorded and deposited each fiscal year. Debt and Investment Committee will review and record at their option an additional contribution amount, up to the full value of the calculated reserve contribution (the remaining 50%). The reserve contributions will be calculated on a system by system basis; however, based on the calculation, any mandatory deposit will exclude the District Energy System. The reserve contributions shall cease in the event the reserve balance exceeds the cap of five percent of the par amount of the total outstanding variable rate debt of all systems. Withdrawals from the Rate Stabilization Fund for Debt Management Strategy can be made for expenses related to market disruption in the capital markets, disruption in availability of credit or unanticipated credit expenses, or to fund variable interest costs in excess of budget.

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

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

Observations:

- Contributions began in June 2009.

Water & Sewer System Rate Stabilization - Environmental

For the Fiscal Quarter Ending September 30, 2017

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Definitions and Goals: The Water & Sewer System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which contributions or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Fund provides a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as debt management and regulatory requirements or initiatives.

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

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

Observations:

- Rate Stabilization Fund for Environmental began in June 2010.

Water and Sewer System Customer Deposits

For the Fiscal Quarter Ending September 30, 2017

Reserve/Fund Authorization: Management Directive 302 Credit and Collections and Internal Procedure CR40400 MBC302

Metric: Internal procedure CR40400 MBC302 Credit and Collections

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

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

	Historical					Statistical			
	2012	2013	2014	2015	2016	Low	Median	Mean	High
Opening Balance	\$ 9,727	\$ 12,627	\$ 13,860	\$ 12,787	\$ 13,255	\$ 9,727	\$ 12,787	\$ 12,451	\$ 13,860
Additions:									
Allocated from Electric Loan Repayment	2,900	1,233		468	655	468	562	562	655
Sub-total	\$ 3,900	\$ 1,233	-	\$ 468	\$ 655	-	-	-	-
Deductions:									
Allocated from Electric Loan to W&S Operations	1,000		1,073			1,073	1,073	1,073	1,073
Sub-total	\$ 1,000	-	\$ 1,073	-	-	-	-	-	-
Ending balance	\$ 12,627	\$ 13,860	\$ 12,787	\$ 13,255	\$ 13,910	\$ 12,627	\$ 13,255	\$ 13,288	\$ 13,910

Observations:

- JEA is in the process of implementing a prepaid meter program which could reduce customer deposits at some future date.

Water and Sewer Debt Service Sinking Fund

For the Fiscal Quarter Ending September 30, 2017

Reserve/Fund Authorization: Bond Resolution

Metric: Accrued interest and principal currently payable on fixed and variable rate bonds pursuant to the Bond Resolutions

Definitions and Goals: JEA is required monthly to fund from revenues an amount equal to the aggregate of the Debt Service Requirement for senior and subordinated bonds for such month into this account. On or before such interest payment date, JEA shall pay out of this account to the paying agents the amount required for the interest and principal due on such date.

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

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

Observations:

- September 30th ending balances are used to pay Oct 1st interest and principal payments.
- Timing differences occur due to the accrual of debt service during one fiscal year and the payment in the following fiscal year (primarily fixed rate principal and interest on Oct 1st of the following fiscal year).

Water and Sewer Debt Service Reserve Account

For the Fiscal Quarter Ending September 30, 2017

Reserve/Fund Authorization: Bond Resolution

Metric: 125% of average annual debt service on outstanding senior fixed and variable rate bonds plus subordinated fixed rate bonds as required by the Bond Resolutions

Definitions and Goals: This reserve will be funded, maintained and held for the benefit of bondholders as specified in the Supplemental Resolution authorizing the sale of the bonds to pay principal and/or interest on the bonds should revenues from operations not be sufficient for such purpose in accordance with the appropriate bond resolution. It is JEA's current practice to fund this reserve account with cash from the sale of bonds; however, revenues may be utilized to fund this reserve if necessary.

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

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

Observations:

- In 2008, debt service reserve sureties downgraded and JEA began replacing those downgraded sureties with cash/investments as required by the bond resolutions. Sureties of \$149.8 million are still outstanding but are not eligible to be utilized as debt service reserve deposits per the Bond Resolutions.

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

For the Fiscal Quarter Ending September 30, 2017

Reserve/Fund Authorization: Bond Resolution, Article 21 of the City of Jacksonville Charter and Pricing Policy

Metric: Renewal and Replacement required to deposit from the revenue fund annually an amount equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues per JEA's Water and Sewer System bond resolutions. Operating Capital Outlay - by 2013 the goal is to fund all non-capacity capital expenditures.

Definitions and Goals: Pursuant to the Water and Sewer System bond resolutions and Article 21 of the City of Jacksonville Charter, JEA is required to deposit from the revenue fund annually an amount for Renewal and Replacement of system assets. According to the bond resolutions the amount is equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues. The funds shall be used for the purposes of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the Electric System. In addition, as a portion of the base rate, JEA will recover from current revenue a formula driven amount for capital expenditures which is referred to as Operating Capital Outlay. This amount is calculated separately from the R&R deposit. In accordance with the Pricing Policy, by 2013, the objective is to fund an amount equal to all non-capacity capital expenditures with current year internally generated funds.

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

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

Observations:

- Other includes the Septic Tank Phase-out project, Sale of Property, and the transfer of RSF - Environmental in FY 2016 - 2019
- Includes \$20 million for Maximum Annual Debt Service calculation.
- \$57 million is projected to be withdrawn from this capital balance in FY 2016-2017 to support the capital program with lower Net Revenues as planned with the June 2012 approved reduction in the October 1, 2012 rate increase.

Water and Sewer Capacity Fees / State Revolving Fund Loans

For the Fiscal Quarter Ending September 30, 2017

Reserve/Fund Authorization: Florida Statute and Rate Tariff

Metric: Tariff rate

Definitions and Goals: Capacity fees are charged to customers as a one- time fee for a new connection to the Water System and a one- time fee for a new connection to the Sewer System. Capacity charges may be used and applied for the purpose of paying costs of expansion of the Water and Sewer System or paying or providing for the payment of debt that was issued for the same purpose. In addition, the Water and Sewer System has received funds from the State Revolving Fund (SRF) program for the construction of water and wastewater treatment facilities. SRF loans are subordinated to all Water and Sewer System Revenue Bonds and Water and Sewer System Subordinated Revenue Bonds.

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

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

Observations:

Water and Sewer Environmental

For the Fiscal Quarter Ending September 30, 2017

Reserve/Fund Authorization: Pricing Policy

Metric: Unit tariff rates times consumption

Definitions and Goals: The Environmental Charge will be applied to all water, sewer, irrigation and non bulk user reclaimed consumption. The environmental charge revenue will be collected from customers to partially offset current and future environmental and regulatory needs as specified in the Pricing Policy for specific environmental and regulatory programs.

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

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

Observations:

Water and Sewer Construction / Bond Fund

For the Fiscal Quarter Ending September 30, 2017

Reserve/Fund Authorization: Bond Resolution

Metric: Capital expenditures per year minus internal funding available

Definitions and Goals: JEA maintains a senior and subordinated construction fund of which bonds proceeds are deposited and used for the payment of the costs of additions, extensions and improvements to the Water and Sewer System.

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

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

Observations:

- JEA's philosophy has been to borrow bond funds on a "just-in-time" basis. Staff has used line of credit borrowings and loans between capital funds to decrease borrowing costs.
- No new debt issues for the FY 2017-2019 projection.

IV.A. 5.

JEA Energy Market Risk Management Policy Report



Building Community

AGENDA ITEM SUMMARY

November 16, 2017

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

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

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

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

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

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

Submitted by: PEM/ MJB/ SGM

MISSION
Energizing our community through high-value energy and water solutions.

VISION
JEA is a premier service provider, valued asset and vital partner in advancing our community.

VALUES

- Safety
- Service
- Growth²
- Accountability
- Integrity

Commitments to Action

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

Energy Market Risk Management: Physical and Financial Positions

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

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

IV. A. 5.
12/12/2017

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

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

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

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

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

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

Supporting Notes:

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

IV.A. 6.

Ernst & Young FY2017 External Audit Report



Building Community

AGENDA ITEM SUMMARY

November 14, 2017

SUBJECT:	ERNST & YOUNG FY2017 EXTERNAL AUDIT REPORT
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Purpose:	<input checked="" type="checkbox"/> Information Only	<input type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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Issue: Ernst & Young, LLP (E&Y) presented their audit plan for FY2017 at the Finance and Audit Committee (FAC) meeting on August 7, 2017. At that meeting, they outlined the scope of their services, identified the E&Y team that will perform the audit and presented the key considerations that will affect the FY2017 audit. On a yearly basis, the independent auditors meet with the FAC to review the results of the annual audit.

Significance: Auditing standards require the auditors to communicate certain matters to the Governing Board that may assist the Board in overseeing management’s financial reporting process. John DiSanto, Coordinating Partner from E&Y, has been invited to attend the December 5, 2017 Finance and Audit Committee meeting to discuss the FY2017 audited results.

Effect: Meeting with auditors to discuss the audit results will assist the Board in overseeing management’s financial reporting process.

Cost or Benefit: There is no cost. See effect above for benefits.

Recommended Board action: No action by the Committee is required. This item is submitted for information only.

For additional information, contact: Janice Nelson

Submitted by: PEM/ MHD/ JRN

MISSION

Energizing our community through high-value energy and water solutions.

VISION

JEA is a premier service provider, valued asset and vital partner in advancing our community.

VALUES

- Safety
- Service
- Growth²
- Accountability
- Integrity

Commitments to Action

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



INTER-OFFICE MEMORANDUM

November 14, 2017

SUBJECT: Ernst & Young FY2017 External Audit Report

FROM: Paul E. McElroy, Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair
Husein Cumber

BACKGROUND:

Auditing standards require the auditors to communicate certain matters to the Governing Board, that may assist the Board in overseeing management's financial reporting process. Ernst & Young, LLP (E&Y) presented their audit plan for fiscal year 2017 at the Finance and Audit Committee (FAC) meeting on August 7, 2017. At that meeting, they outlined the scope of their services, identified the E&Y team that will perform the audit and presented the key considerations that will affect the 2017 audit. Representatives from E&Y have been invited to attend the December 5, 2017 Finance and Audit Committee meeting to discuss FY2017 audited results.

DISCUSSION:

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

RECOMMENDATION:

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

Paul E. McElroy, Managing Director/CEO

PEM/MHD/JRN

City of Jacksonville General Employees Retirement Plan

Audit Report on Schedules of Pension-Related Amounts

September 30, 2016



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRIcpa.com



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

Table of Contents September 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Jacksonville City Council
Board of Directors, Jacksonville Electric Authority

We have audited the accompanying schedule of employer allocations and net pension liability of the City of Jacksonville Retirement System's General Employees Retirement Plan (the "Plan") as of September 30, 2016, (the "Schedule") and the related notes. We have also audited the columns titled net pension liability at September 30, 2016, total deferred outflows of resources, total deferred inflows of resources, and pension plan expense ("Specified Column Totals") included in the accompanying schedule of collective pension amounts of the Plan as of and for the year ended September 30, 2016, and the related notes.

Management's Responsibility for the Schedules

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule and Specified Column Totals included in the schedule of collective pension amounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule and Specified Column Totals included in the schedule of collective pension amounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule and Specified Column Totals included in the schedule of collective pension amounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule and Specified Column Totals included in the schedule of collective pension amounts.

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

Opinions

In our opinion the Schedule and Specified Column Totals included in the schedule of collective pension amounts referred to above present fairly, in all material respects, the employer allocations and net pension liability as of September 30, 2016, and the total deferred outflows of resources, total deferred inflows of resources, and pension expense for the Plan as of and for the year ended September 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Restriction on Use

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

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

Gainesville, Florida
October 4, 2017

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

September 30, 2016

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

See accompanying notes.

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

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

See accompanying notes.

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

NOTE 1 – SUMMARY OF THE PLAN

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

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

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

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

- (a) Completing thirty (30) years of credited service, regardless of age;
- (b) Attaining age fifty-five (55) with twenty (20) years of credited service; or
- (c) Attaining age sixty-five (65) with five (5) years of credited service.
- (d) There is no mandatory retirement age.

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



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

NOTE 1 – SUMMARY OF THE PLAN (CONTINUED)

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

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Governmental Accounting Standards Board (GASB) Statement No. 67

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

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

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

Basis of Accounting

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

Proportionate Share Allocation Methodology

The basis for each entity's proportion is actuarially determined by comparing the entity's employer contributions for the year ended September 30, 2016. This basis is intended to measure the proportion of each entity's long term funding requirements.



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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in the Preparation of the Schedules

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

Relationship to the Basic Financial Statements

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

Investments

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

NOTE 3 – NET PENSION LIABILITY AND ACTUARIAL ASSUMPTIONS AND METHODS

The components of the net pension liability are as follows:

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

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

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

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

Inflation	2.75%
Salary increases assumption	3.00% - 6.00%, of which 2.75% is the Plan's long-term payroll inflation.
Investment rate of return	7.40%, net of pension plan investment expense, including inflation.
Pre-retirement mortality rates	50% RP2000 Combined Healthy White Collar and 50% RP2000 Combined Healthy Blue Collar, set forward 2.5 years, projected generationally with Scale BB for males; RP2000 Combined Healthy White Collar, set forward 2.5 years, projected generationally with Scale BB for females.
Healthy annuitant mortality rates	50% RP2000 White Collar Annuitant and 50% RP2000 Blue Collar Annuitant, set forward 2.5 years, projected generationally with Scale BB for males; RP2000 White Collar Annuitant, set forward 2.5 years, projected generationally with Scale BB for females.
Disabled annuitant mortality rates	RP-2000 Disabled Retiree Mortality Table, setback four years for males and set forward two years for females

The actuarial assumptions used in the October 1, 2016 valuation were based on the results of an experience study for the period October 1, 2007 to September 30, 2012, with additional changes based on an interim study of mortality experience through September 30, 2016.

The following changes in key actuarial assumptions occurred in 2016:

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return by the target asset allocation as of September 30, 2016 are summarized in the following table. The long-term expected real rates of return are based on 20-year projections of capital market assumptions provided by Segal Rogerscasey.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35%	6.71%
International equity	20%	7.71%
Fixed income	19%	2.11%
Real estate	25%	5.21%
Cash	1%	1.10%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability is 7.40%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at their applicable contribution rates and that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability. Cash flow projections were run for a 120-year period.

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

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

Sensitivity Analysis

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

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

Plan Fiduciary Net Position

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

NOTE 4 – INVESTMENTS

Fair Value Measurements

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

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

NOTE 4 – INVESTMENTS (CONTINUED)

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

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

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

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

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

NOTE 4 – INVESTMENTS (CONTINUED)

Interest Rate Risk

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

Credit Quality

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

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

Rating definitions:

- Treasury – United States Treasury Securities (Included in Aaa)
- Agency – Government Agency Securities (Included in Aaa)
- Aaa (AAA) – Highest Investment Grade Quality Rating
- Aa1-Aa3 (AA+ to AA-) – Medium Investment Grade Quality Rating
- A1-A3 (A+ to A-) – Medium Low Investment Grade Quality Rating
- Baa1-Baa3 (BBB+ to BBB-) – Lowest Investment Grade Quality Rating
- Ba1-Ba3 (BB+ to BB-) – Highest Non-Investment Grade Quality Rating
- Commingled – Securities that are not applicable to Quality Ratings – they predominantly represent mutual funds that are listed and valued as a whole, not individual holdings, as well as minor exposure to non-investment grade securities.

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

NOTE 4 – INVESTMENTS (CONTINUED)

Custodial Credit Risk

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

Foreign Currency

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

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



Carr, Riggs & Ingram, LLC
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October 4, 2017

To the Jacksonville City Council
Board of Directors, JEA

We are pleased to present the results of our audit of the schedule of employer allocations and net pension liability, and the column totals specified in our auditor's report of the schedule of collective pension amounts (the "Schedules") of the City of Jacksonville Retirement System's General Employees Retirement Plan (the "Plan").

This communication summarizes our audit, the report issued and various analyses and observations related to the financial accounting and reporting practices followed. The document also contains the communications required by our professional standards.

The audit was designed, primarily, to express an opinion on the Schedules. We considered an assessment of risks that could materially affect the financial statements and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of your personnel.

At Carr, Riggs & Ingram, LLC ("CRI"), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This information is intended solely for the information and use of you and management and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact us.

Very truly yours,

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

CARR, RIGGS & INGRAM, LLC
CERTIFIED PUBLIC ACCOUNTANTS



Required Communications

Our audit plan represented an approach responsive to the assessment of risk. Specifically, we planned and performed our audit to:

- Perform audit services in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, in order to express an opinion on the Schedules as of and for the year ended September 30, 2016;
- Communicate directly with you and management regarding the results of our procedures;
- Address with you and management any accounting and financial reporting issues;
- Anticipate and respond to your concerns and those of management; and
- Address other audit-related projects as they arise and upon request.

Required Communications

We have audited the Schedules as of and for the year ended September 30, 2016, and have issued our report thereon dated October 4, 2017. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Auditor's responsibility under Generally Accepted Auditing Standards</p>	<p>As stated in our engagement letter dated June 8, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the Plan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>
<p>Client's responsibility</p>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p>
<p>Planned scope and timing of the audit</p>	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>
<p>Management judgments and accounting estimates <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditor's conclusion regarding the reasonableness of those estimates.</i></p>	<p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."</p>
<p>Potential effect on the financial statements of any significant risks and exposures <i>Major risks and exposures facing the Plan and how they are disclosed.</i></p>	<p>No such risks or exposures were noted.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor's judgment about the quality of accounting principles</p> <ul style="list-style-type: none"> • <i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</i> • <i>The auditor should also discuss the auditor's judgment about the quality, not just the acceptability, of the Plan's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures. Critical accounting policies and practices applied by the Plan in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;</i> • <i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.</i> 	<p>Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used are described in Note 2 of the audit report. We noted no transactions entered into during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the Schedules in the proper period.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Significant difficulties encountered in the audit <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	None.
<p>Disagreements with management <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditor's report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	None.
<p>Other findings or issues <i>Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.</i></p>	None.
<p>Matters arising from the audit that were discussed with, or the subject of correspondence with, management <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	None.
<p>Corrected and uncorrected misstatements <i>All significant audit adjustments arising from the audit, whether or not recorded by the Plan, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Committee about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	No misstatements were detected as a result of our audit procedures.

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Major issues discussed with management prior to retention</p> <p><i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	None.
<p>Consultations with other accountants</p> <p><i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	None of which we are aware.
<p>Written representations</p> <p><i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	See "Management Representation Letter" section.
<p>Internal control deficiencies</p> <p><i>Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditor's attention during the audit.</i></p>	See "Internal Control Findings" section.
<p>Fraud and illegal acts</p> <p><i>Fraud involving senior management, the Plan Administrator or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditor's attention involving senior management and any other illegal acts, unless clearly inconsequential.</i></p>	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
<p>Other information in documents containing audited financial statements</p> <p><i>The external auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>

Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of the Plan's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. Management may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Investments	Based on our procedures performed with respect to the Plan's investments, we noted that it appears the Plan accounts for investments in accordance with all applicable standards.	X	The Plan relies on valuations from investment managers for approximately 100% of the asset values.	The Plan's policies are in accordance with all applicable accounting guidelines.
Pension-Related Amounts	Based on our procedures performed with respect to the Plan's total pension liability, we noted that it appears the Plan accounts for investments in accordance with all applicable standards.	X	The Plan relies on valuations from actuarial experts to estimate the pension related amounts and how they should be allocated to the participating entities.	The Plan's policies are in accordance with all applicable accounting guidelines.

Summary of Audit Adjustments

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

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

QUALITATIVE MATERIALITY CONSIDERATIONS

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

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



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October 4, 2017

To the Jacksonville City Council
Board of Directors, JEA

In planning and performing our audit of the Schedules of Pension-Related Amounts (the “Schedules”) for the City of Jacksonville’s General Employees Retirement Plan (the “Plan”) as of and for the year ended September 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Plan’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Schedules, but not for the purpose of expressing an opinion on the effectiveness of the Plan’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

However, we identified a deficiency in internal control that did not rise to the level of a significant deficiency or material weakness and is not required to be communicated but has been included to assist management in the evaluation of their procedures. This deficiency has been described in the table on the following page.

This communication is intended solely for the information and use of management, and others within the General Employees Retirement Plan for the City of Jacksonville, and is not intended to be and should not be used by anyone other than these specified parties.

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

CARR, RIGGS & INGRAM, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Internal Control Recommendations

The following legend should be used in conjunction with reviewing the “Rating” of each of the identified internal control items:

IP = Improvement Point	D = Control Deficiency	SD = Significant Deficiency	MW = Material Weakness
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ITEM	RATING	AREA	ITEM NOTED	SUGGESTION
1	D	Census data	When testing the September 30, 2016 year-end census data errors were noted relating to: the date of birth of a participant, the eligible compensation of a participant, the date of birth of a beneficiary, the amount of COLA earned by a participant, and the date a participant joined the plan. The impact of these errors was not material.	The census data should be periodically reviewed to ensure it is accurate and has been updated for all changes which have been communicated by the participants.



ONE CITY. ONE
JACKSONVILLE.

City of Jacksonville, Florida

Lenny Curry, Mayor

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

[Return to Agenda](#)

October 4, 2017

Carr, Riggs & Ingram, LLC
4010 NW 25th Place
Gainesville, FL 32606

This representation letter is provided in connection with your audit of the Schedules of Pension-Related Amounts of the City of Jacksonville General Employees Retirement Plan (the "Plan") as of September 30, 2016, for the purpose of expressing an opinion as to whether the Schedule of Employee Allocations and Schedule of Collective Pension Amounts is presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Presentation of Specified Element

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 8, 2017, including our responsibility for the preparation and fair presentation of the Schedules of Pension-Related Amounts.
- 2) The Schedules of Pension-Related Amounts referred to above is fairly presented in conformity with accounting principles generally accepted in the United States of America.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules of Pension-Related Amounts that is free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the accounting principles generally accepted in the United States of America.
- 7) All events subsequent to the date of the Schedules of Pension-Related Amounts and for which the accounting principles generally accepted in the United States of America requires adjustment or disclosure have been adjusted or disclosed.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

- 9) Material concentrations have been properly disclosed in accordance with accounting principles generally accepted in the United States of America.
- 10) Guarantees, whether written or oral, under which the company is contingently liable, have been properly recorded or disclosed in accordance with accounting principles generally accepted in the United States of America.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the specified element, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 12) All material transactions have been recorded in the accounting records and are reflected in the Schedules of Pension-Related Amounts.
- 13) We have disclosed to you the results of our assessment of the risk that the Schedules of Pension-Related Amounts may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the Schedules of Pension-Related Amounts.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's Schedules of Pension-Related Amounts communicated by employees, former employees, analysts, regulators, or others.
- 16) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the Schedules of Pension-Related Amounts.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the Schedules of Pension-Related Amounts. The Plan has not consulted with any attorney's during the year and as any related matters are handled by the City.
- 18) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- 19) The Plan has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

Signature: _____



Title: _____

Dir. of Fin. and Admin / CFO

Signature: _____



Title: _____

Treasurer



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IV. A. 6.
12/12/2017

Return to Agenda

The Board of Directors
JEA
Jacksonville, Florida

In planning and performing our audit of the financial statements of JEA for the fiscal year ended September 30, 2017, in accordance with auditing standards generally accepted in the United States, we considered JEA's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purposes of expressing our opinion on the financial statements, but not for the procedures for the purpose of expressing an opinion on the effectiveness of JEA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Other Required Disclosures

Report on the Financial Statements

We have audited the United States the accompanying basic financial statements of JEA, which comprise the statement of net position as of September 30, 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report, with an unmodified opinion thereon, dated December 5, 2017.

Auditor's Responsibility

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*.

Other Reports

We have issued our Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards* and our Report of Independent Certified Public Accountants on Compliance on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General* (collectively, the Reports). Disclosures in those Reports, which are dated December 5, 2017, should be considered in conjunction with this management letter.

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determined whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual and financial audit report. The current status of our prior year findings are as follows:

Finding No. 2015-01 Change management related to IT General Controls – implemented.

Finding No. 2015-02 Logical access related to IT General Controls – implemented.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. JEA has included such disclosures in the notes to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a., *Rules of the Auditor General*, requires that we report the result of our determination as to whether or not JEA has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. See our Report of Certified Public Accountants on Applying Agreed-Upon Procedures dated December 5, 2017, for our procedures and findings.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures that were agreed to by management of JEA. See our Report of Certified Public Accountants on Applying Agreed-Upon Procedures dated December 5, 2017, for our procedures and findings.

Other Matters

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations. Section 10.554(i)3., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreement, or abuse, that have covered, or are likely to have occurred, that have an effect in the financial statements that is less than material but which warrants the attention of those charged with governance. See our Reports identified under “Other Reports” section above.

Purpose of This Letter

Our management letter is intended solely for the information and use of the Florida Auditor General, the Board of Directors of JEA, and management is not intended to be and should not be used by anyone other than specified parties.

December 5, 2017

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

JEA

2017 audit results

December 5, 2017



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The Audit and Finance Committee
JEA

December 5, 2017

Dear Members of the Audit and Finance Committee

We are pleased to present the results of our audit of the financial statements of JEA. This report also includes the status of our audit, which is expected to be completed on December 5, 2017. Open and candid dialogue with you, as the Audit and Finance Committee, is a critical step in the audit process, and in the overall corporate governance process and we appreciate this opportunity to share the insights from our audit with you.

Our audit was designed to express an opinion on the 2017 basic financial statements as of September 30, 2017. We continue to receive the full support and assistance from JEA's personnel in conducting our audit.

At EY, we are committed to delivering the highest quality audit services, and we continually evaluate the quality of our professionals' work in order to meet or exceed your expectations. We encourage you to participate in our Assessment of Service Quality (ASQ) process to provide your input on our performance. The ASQ process is a critical tool that enables us to monitor and improve the quality of our audit services to JEA.

This report is intended solely for the information and use of the JEA Board, Audit and Finance Committee and management. It is not intended to be, and should not be, used by anyone other than these specified parties.

We look forward to meeting with you to discuss the contents of this report and answer any questions you may have about these or any other audit-related matters.

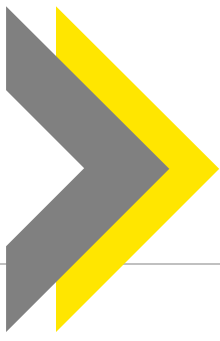
Very truly yours,

John DiSanto
Executive Director

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Executive summary

Status

- The 2017 audit is substantially complete and we expect to issue an unmodified opinion on the financial statements.

Scope

- Our audit scope is consistent with the plan communicated in August of 2017. We continually reassess the need for changes to our planned audit approach throughout the audit.

Results

- JEA's analysis for significant accounting matters is appropriate.*
- Reasonable judgments and consistency have been used by management to account for significant accounting estimates.*
- 1 uncorrected misstatement was identified.*
- Entity level controls that were subject to testing, appear to be designed and operating effectively.
- Outstanding cooperation and communication occurred between JEA and EY.

Topics to be discussed at the meeting with the Audit and Finance Committee:

Significant 2017 considerations*

- Revenue recognition
- Allowance for doubtful accounts
- Regulatory accounts
- Legal reserves
- Derivative instruments and hedging activities
- Pollution remediation obligations
- OPEB liabilities
- Pension plan accounting and reporting
- Investments
- Capital assets
- Asset impairment
- SJRPP Decommission
- Plant Vogtle
- FEMA Hurricane costs

Corrected and uncorrected misstatements (page 7)

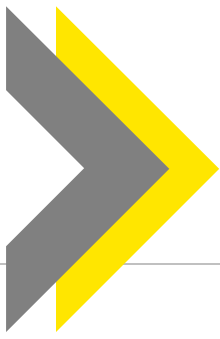
Inquiries relating to matters relevant to the audit (page 9)

Summary of other services provided by EY (page 10)

Open items

- Obtain the signed management representation letter

* These matters are addressed on the following pages within our presentation.



2017 audit results

Areas of audit emphasis

Our audit procedures emphasized testing those processes, accounts, contracts or transactions where we believe there is the greatest risk of material misstatement to the financial statements, whether due to error or fraud. We considered the effects of current market risk factors on JEA, and also place emphasis on those areas requiring subjective determinations by management. Our audit procedures at JEA included additional focus on the following areas (which are consistent with what was communicated to you at our meeting in August 2017).

• Revenue recognition

• Allowance for doubtful accounts

• Regulatory accounts

• Legal reserves

• Derivative instruments and hedging activities

• Pollution remediation obligations

• Other postretirement benefits liabilities

• Pension plan accounting and reporting

• Investments

• Capital assets

• Asset impairments

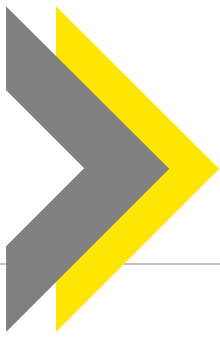


Areas of audit emphasis

Our audit procedures emphasize testing those processes, accounts, contracts or transactions where we believed there was the greatest potential for risk of material misstatement to the financial statements, whether due to error or fraud, including disclosure items. We considered the effects of current market risk factors on JEA, and also placed emphasis on those areas

requiring subjective determinations by management. Our audit procedures at JEA included additional focus on the following areas (which are consistent with what was communicated to you at our meeting in August 2017):

Key issue/risk area	Summary of procedures and findings
Revenue recognition	<ul style="list-style-type: none"> We performed various analytics and detailed tests over revenues. Through our procedures there were no issues identified.
Accounts and unbilled receivables and related allowance for doubtful accounts	<ul style="list-style-type: none"> We tested the assumptions of the unbilled revenue calculation for reasonableness. We also performed procedures over billed accounts receivable, and assessed the adequacy of the allowance for uncollectible accounts. Management identified a \$10.9 million understatement of unbilled revenue (see corrected and uncorrected misstatements section below).
Regulatory accounts	<ul style="list-style-type: none"> We tested significant activity during the year, including recalculating the recognized revenue/expense related to regulatory assets and liabilities. Through our procedures there were no issues identified.
Legal reserves	<ul style="list-style-type: none"> We obtained an in-house legal letter update from the City Council. Per our review of the obtained legal letter there were no significant legal matters requiring accrual or disclosure considerations not already included as part of the financial statements and related footnote disclosures.
Derivative instruments and hedging activities	<ul style="list-style-type: none"> For the interest rate swaps, we independently corroborated the fair value of swaps with the assistance of our EY valuation professionals. We independently tested the hedge effectiveness in accordance with GASB 53. Through our procedures there were no issues identified.
Pollution remediation and obligations	<ul style="list-style-type: none"> We obtained the schedule of all known and recorded pollution remediation obligations at JEA. Per review of the schedule we compared the obligations to prior year's accounting records to obtain a better understanding of any significant movement in the account. We also inquired of management regarding any changes or development during the twelve months ended September 30, 2017. In order to gain comfort over the completeness of the recorded obligation, we engaged our Climate, Change and Sustainability Services group, to compare the recorded sites to public environmental databases such as the Environmental Protection Agency's (EPA). Through our procedures there were no issues identified.
OPEB liabilities	<ul style="list-style-type: none"> We obtained and tested the actuarial valuations including assessing the reasonableness of the significant assumptions (i.e., discount rate, rate of return, etc.). We ensured all applicable disclosures were made in the notes to the financial statements and that such disclosures agreed to the actuary report in compliance with GASB 45. Through our procedures there were no issues identified.



Areas of audit emphasis

Key issue/risk area	Summary of procedures and findings
Pension plan accounting and reporting	<ul style="list-style-type: none">• We obtained and tested the actuarial valuations including assessing the reasonableness of the significant assumptions (i.e., discount rate, rate of return, etc.). We ensured all applicable disclosures were made in the notes to the financial statements and that such disclosures agreed to the actuary report in compliance with GASB 68.
Investments	<ul style="list-style-type: none">• We tested the fair values as of the statement of net position date, and confirmed investment accounts. We also performed compliance procedures as required by the provisions of Chapter 10.550, Rules of the Auditor General. Through our procedures there were no issues identified.
Capital assets	<ul style="list-style-type: none">• We tested the capital asset rollforward, which included specific procedures over CWIP, additions to capital assets and depreciation expense. Through our procedures there were no issues identified.
Asset impairment	<ul style="list-style-type: none">• Management did not identify any indicators of asset impairment. Through our procedures there were no issues identified.

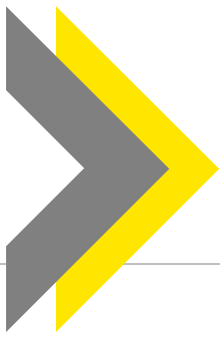


Corrected and uncorrected misstatements

During the course of our audit, we accumulate differences between the amount, classification, presentation and disclosure of a financial statement item recorded or reported by the Company and the amount, classification or presentation and disclosure that we believe is required to be recorded or reported under US GAAP.

Corrected misstatements

We have not identified any significant misstatements that have been corrected by the Company.



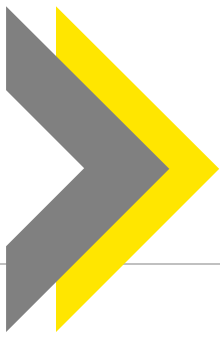
Corrected and uncorrected misstatements

Uncorrected misstatements

Following is a summary of misstatements identified during the audit that have not been corrected by JEA. These uncorrected misstatements, individually and in the aggregate, are not material to JEA's financial statements.

Subsequently identified in the current period that affect prior year financial statements include the following: We have considered the effect of these uncorrected misstatements on the prior year's financial statements and these misstatements did not cause us to change our conclusion on those financial statements.

Uncorrected misstatements		
Accounts	Amount	Description
<ul style="list-style-type: none">Unbilled customer accounts receivable (increase) and water and sewer operating revenue (increase).	\$10,897,807	<ul style="list-style-type: none">Management determined that a difference existed within Water and Sewer Unbilled Revenue as of September 30, 2017. Water and Sewer Unbilled Revenue was incorrectly calculated due to a formula error.



Inquiries relating to matters relevant to the audit

We made inquiries of you in our meeting with you in August 2017 related to fraud and other matters, that helped inform our audit strategy and the execution of our audit procedures. As a part of our upcoming meeting, we will update our inquiries of you to understand any other matters of which you believe we should be aware, including, but not limited to the following:

- Your views about the risks of material misstatements due to fraud, including the risks of management override of controls
- Your knowledge of any actual, alleged or suspected fraud
- Your awareness of tips or complaints regarding JEA's financial reporting (including those received through those charged with governance's own "whistleblower" program, if any) and its response to such tips and complaints
- How you exercise oversight over JEA's assessment of fraud risks and the establishment of controls to address these risks
- Your awareness of other matters, you believe, are relevant to the audit including, but not limited to, violations or possible violations of laws or regulations



Summary of other services provided by EY

The following represents a summary of services provided to JEA, including the current status or results of the services provided.

Services	Description of services	Status/results of services provided
Advisory services		
Advisory services related to emergency and disaster consulting in connection with Hurricane Matthew and Hurricane Irma.	EY provided Jacksonville Electric Authority (JEA) disaster grant consulting services as a result of Hurricanes Matthew and Irma causing extensive damage across JEA's system. EY's Insurance and Federal Claims services team provides significant experience working on other FEMA and commercial insurance recoveries, including for other public utilities. EY's team includes former FEMA, DHS OIG, and HUD officials who assist in delivering the engagement. EY's tasks include working with JEA on the organization, gathering and tracking of all Hurricane Matthew and Hurricane Irma related supporting documentation.	These services are in various stages of completion.

Supplements



Required communications
with those charged
with governance



Summary of required communications

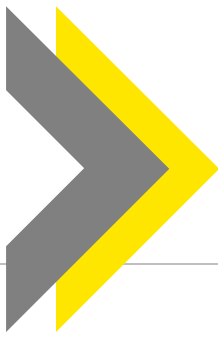
Provided below is a summary of required communications between the audit team and those charged with governance.

Services and deliverables	Communicate when event occurs	Communicate on a timely basis, at least annually
Overview of the planned scope and timing of the audit		X
Auditor's responsibility under generally accepted auditing standards, including discussion of the type of auditor's report we are issuing and if there are any events or conditions that cause us to conclude that there is substantial doubt about the entity's ability to continue as a going concern		X
Our views about the qualitative aspects of the entity's significant accounting practices, including:		
• Accounting policies		X
• Additional views		X
Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial		X
Material corrected misstatements, related to accounts and disclosures		X
Significant deficiencies and material weaknesses in internal control	X	X
Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements		X
Fraud and non-compliance with laws and regulations (illegal acts)	X	
Independence matters		X
Representations we are requesting from management		X
Changes to the terms of the audit with no reasonable justification for the change	X	
Significant findings and issues arising during the audit relating to related parties	X	
Significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management	X	
Significant difficulties encountered during the audit	X	
Disagreements with management	X	
Management's consultations with other accountants	X	
Findings regarding external confirmations	X	
AICPA ethics ruling regarding third-party service providers		X
Other findings or issues regarding the oversight of the financial reporting process	X	



Required communications

Area	Comments
<p>Overview of the planned scope and timing of the audit</p>	
<p>We provide those charged with governance with an overview of our overall audit scope, including the timing of the audit and our plans to use the work of internal auditors.</p>	<p>Our audit scope is consistent with the plan communicated during the August 7, 2017 meeting.</p>
<p>Auditor's responsibility under generally accepted auditing standards, including discussion of the type of auditor's report we are issuing and if there are any events or conditions that cause us to conclude that there is substantial doubt about the entity's ability to continue as a going concern</p>	
<p>The financial statements and supplementary information are the responsibility of management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States, as established by the American Institute of Certified Public Accountants, to obtain reasonable assurance about whether the financial statements are free of material misstatement.</p> <p>An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we will express no such opinion.</p> <p>An audit also includes the evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the evaluation of the overall presentation of the financial statements.</p> <p>We also communicate to you matters required by other legal or regulatory requirements.</p>	<p>Our responsibilities are included in our audit engagement agreement. A copy of such agreement is available upon request.</p> <p>We plan to issue an unmodified opinion on JEA's financial statements for the year ended September 30, 2017.</p>



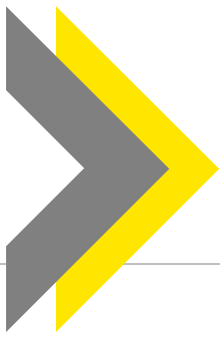
Required communications

Area	Comments
Our views about the qualitative aspects of the entity's significant accounting practices: accounting policies	
<p>As part of our discussion about the qualitative aspects of the entity's significant accounting practices, we discuss our views about the entity's application of accounting policies including instances we believe a significant accounting policy, although acceptable under US GAAP, is not appropriate for the particular circumstances of the entity.</p> <p>Our discussion may also include the following:</p> <ul style="list-style-type: none">• The initial selection of new, or changes in, significant accounting principles and policies, including the application of new accounting pronouncements.• The effect of the timing and method of adopting a change in accounting policy on current and future earnings of the entity (or expected new accounting pronouncements).• The appropriateness of the accounting policies to the particular circumstances of the entity.• Where acceptable alternative accounting policies exist, the identification of financial statement items that are affected by the implemented significant policies as well as information on accounting policies used by similar entities.• The effect of a significant accounting policy in a controversial or emerging area (or those unique to an industry), particularly when there is a lack of authoritative guidance or consensus.	<p>Management has not selected or changed any significant accounting policies or changed the application of those policies in the current year.</p> <p>We are not aware of any significant accounting policies used by the Company in controversial or emerging areas or for which there is a lack of authoritative guidance.</p> <p>We have included a discussion of significant accounting policies within the section titled "Accounting policies and estimates".</p>



Required communications

Area	Comments
Our views about the qualitative aspects of the entity's significant accounting practices: additional views	
<p>(1) Management's process used to develop particularly sensitive accounting estimates, our conclusions regarding the reasonableness of such estimates and the basis for those conclusions.</p> <p>Our discussion may also include the following:</p> <ul style="list-style-type: none">• Risks of material misstatement• Indicators of possible management bias• Disclosure of estimation uncertainty in the financial statements <p>(2) Financial statement disclosures and related matters which may include the following:</p> <ul style="list-style-type: none">• The issues involved and related judgments made, in formulating sensitive financial statement disclosures• The overall neutrality, consistency and clarity of financial statement disclosures• The potential effect of significant risks and exposures and uncertainties on the financial statements• The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized• The factors affecting asset and liability carrying value• The selective correction of misstatements <p>(3) Significant unusual transactions (i.e., those outside the normal course of business for the entity or those that appear unusual due to timing, size, or nature) and the policies or practices management has used to account for those transactions.</p>	<p>Refer to previous section.</p>



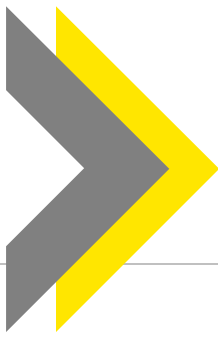
Required communications

Area	Comments
<p>Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial</p> <p>We discuss with those charged with governance uncorrected misstatements, related to accounts and disclosures, and the effect that they may have on our opinion in the auditor's report. We also discuss the effect of uncorrected misstatements related to prior periods on the significant classes of transactions, account balances or disclosures, and the financial statements as a whole.</p> <p>In addition, we discuss with those charged with governance the implications of a failure to correct known and likely misstatements, if any, considering qualitative as well as quantitative considerations, including the possible implications in relation to future financial statements.</p>	<p>Refer to "Uncorrected and corrected misstatements."</p>
<p>Material corrected misstatements, related to accounts and disclosures</p> <p>We discuss with those charged with governance material, corrected misstatements, related to accounts and disclosures, that were brought to the attention of management as a result of our audit procedures. In addition, we may discuss other corrected immaterial misstatements, such as frequently recurring immaterial misstatements that may indicate a particular bias in the preparation of the financial statements.</p>	<p>Refer to "Uncorrected and corrected misstatements."</p>
<p>Significant deficiencies and material weaknesses in internal control</p> <p>We communicate all significant deficiencies and material weaknesses in internal control that were identified during the course of our audit, including those that have been remediated during the audit.</p>	<p>None identified.</p>



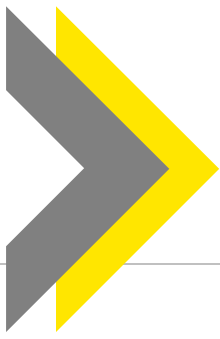
Required communications

Area	Comments
<p data-bbox="84 457 1446 512">Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements</p> <p data-bbox="84 533 784 842">Our auditor's report on the financial statements relates only to the financial statements and the accompanying notes. If the entity includes other information in documents containing audited financial statements, we review such other information and consider whether such information, or the manner of its presentation, is materially inconsistent with the audited financial statements. If we conclude that a material inconsistency exists, we determine whether the financial statements, our auditor's report, or both require revision. In addition, we notify you if we conclude that there is a material misstatement of fact in the other information.</p>	<p data-bbox="824 533 1507 615">We have reviewed JEA's Required Supplementary Information and found the information presented to be consistent with the information in the audited financial statements.</p>
<p data-bbox="84 867 800 894">Fraud and non-compliance with laws and regulations (illegal acts)</p> <p data-bbox="84 915 776 1056">We communicate with those charged with governance fraud and non-compliance with laws and regulations (illegal acts) involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements.</p> <p data-bbox="84 1073 789 1182">If desired by those charged with governance or we determine it is appropriate, we communicate to those charged with governance regarding fraud involving employees other than management that does not result in a material misstatement.</p> <p data-bbox="84 1199 784 1276">We also communicate other matters of non-compliance with laws and regulations (illegal acts) that come to our attention during the audit, unless they are clearly inconsequential.</p>	<p data-bbox="824 915 1503 942">We are not aware of any matters that require communication.</p>
<p data-bbox="84 1297 334 1325">Independence matters</p> <p data-bbox="84 1346 776 1629">Although the auditor's report affirms our independence, in certain situations, we discuss with those charged with governance circumstances of relationships (e.g., financial interests, business or family relationships, or non-audit services provided or expected to be provided) that in our professional judgment may reasonably be thought to bear on independence and that we gave significant consideration to in reaching the conclusion that independence has not been impaired. All breaches of independence requirements that relate to the audit must be communicated to those charged with governance.</p>	<p data-bbox="824 1346 1446 1402">We are not aware of any matters that in our professional judgment would impair our independence.</p>



Required communications

Area	Comments
Representations we are requesting from management	
We discuss with those charged with governance representations we are requesting from management.	We expect to obtain from management a letter of representations related to the audit after this meeting.
Changes to the terms of the audit with no reasonable justification for the change	
We discuss with those charged with governance any changes to the terms of the audit engagement where there is no reasonable justification for the change and we are not permitted by management to continue the original audit.	None
Significant findings and issues arising during the audit relating to related parties	
<p>We discuss with those charged with governance any significant findings and issues arising during the audit relating to the entity's related parties. Such matters may include the following:</p> <ul style="list-style-type: none"> • Non-disclosure (whether intentional or not) by management of related parties or significant related party transactions • The identification of significant related party transactions that have not been appropriately authorized and approved • Disagreement with management regarding the accounting for, and disclosure of, significant related party transactions in accordance with US GAAP • Non-compliance with applicable law or regulations prohibiting or restricting specific types of related party transactions • Difficulties in identifying the party that ultimately controls the entity 	None
Significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management	
<p>We discuss with those charged with governance any significant matters that were discussed with, or the subject of correspondence with, management, including:</p> <ul style="list-style-type: none"> • Business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatements. • Discussions or correspondence in connection with our initial or recurring retention as the auditor, including, among other matters, any discussions regarding the application of accounting principles and auditing standards, the scope of the audit, financial statement disclosures and the wording of the auditor's report. We communicate those major professional issues we discussed with management, prior to our being hired as the auditors, during the entity's two most recently completed fiscal years and any subsequent interim period. 	None



Required communications

Area	Comments
Significant difficulties encountered during the audit	
<p>We inform those charged with governance of any significant difficulties encountered in dealing with management related to the performance of the audit which may include such matters as:</p> <ul style="list-style-type: none">• Significant delays in management providing required information• An unnecessarily brief time within which to complete the audit• The unavailability of expected information• Restrictions imposed on us by management• Management's unwillingness to provide information about its plans for dealing with the adverse effects of the conditions or events that lead us to believe there is substantial doubt about the entity's ability to continue as a going concern	None
Disagreements with management	
<p>We discuss with those charged with governance any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the entity's financial statements or our auditor's report. For purposes of this discussion, disagreements do not include differences of opinion based on incomplete facts or preliminary information that are later resolved.</p>	None
Management's consultations with other accountants	
<p>When we are aware that management has consulted with other accountants about accounting or auditing matters, we discuss with those charged with governance our views about significant matters that were the subject of such consultation.</p>	None of which we are aware.
Findings regarding external confirmations	
<p>We discuss with those charged with governance any instances where management has not permitted us to send confirmation requests, or where we cannot obtain relevant and reliable audit evidence from alternative procedures.</p>	None



Required communications

Area	Comments
<p data-bbox="84 464 735 491">AICPA ethics ruling regarding third-party service providers</p> <p data-bbox="84 512 789 793">AICPA Ethics Ruling No. 112 under Rule 102, <i>Integrity and Objectivity</i>, requires that we inform you whenever we use a third-party service provider in providing professional services to the entity. The Rule has broadly defined “third-party service provider” to include an individual who is not employed by our US firm. Accordingly, third-party service providers might include, but not be limited to, the following examples: non US personnel who work for EY affiliate firms (e.g., Ernst & Young United Kingdom), non US personnel working in the US on a foreign secondment and non US personnel working at EY shared service centers.</p>	<p data-bbox="824 512 1520 821">From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with the Company or its affiliates directly, although EY alone will remain responsible to you for the Audit Services, and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for EY in connection with the Audit Services.</p>
<p data-bbox="84 846 984 873">Other findings or issues regarding the oversight of the financial reporting process</p> <p data-bbox="84 894 784 1003">We communicate other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process.</p>	<p data-bbox="824 894 1520 1003">There are no other findings or issues arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.</p>

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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Our assurance services help our clients meet their reporting requirements by providing an objective and independent examination of the financial statements that are provided to investors and other stakeholders. Throughout the audit process, our teams provide timely and constructive challenge to management on accounting and reporting matters and a robust and clear perspective to audit committees charged with oversight.

The quality of our audit starts with our 60,000 assurance professionals, who have the breadth of experience and ongoing professional development that comes from auditing many of the world's leading companies.

For every client, we assemble the right multidisciplinary team with the sector knowledge and subject-matter expertise to address your specific issues. All teams use our Global Audit Methodology and latest audit tools to deliver consistent audits worldwide.

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