

Recommended

**Operating and Capital Budget
As Adopted
June 19, 2018**

FOR THE YEAR
OCTOBER 1, 2018 – SEPTEMBER 30, 2019



21 West Church Street
Jacksonville, Florida 32202-3139

July 1, 2018



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

Dear Council President Bowman:

Pursuant to the City of Jacksonville Charter, I am transmitting the proposed JEA Fiscal Year (FY) 2019 budget for City Council action. The recommended operating and capital budgets provide funding for operational initiatives and capital projects which support our purpose of providing clean, safe, reliable, and affordable electric, water and sewer services while remaining environmentally sound and financially strong.

The budget includes a \$1.0 million (0.9%) increase in City Contribution, bringing the total FY2019 contribution to \$117.6 million (approximately 9.4% of JEA budgeted base revenues). JEA's total local government transfer, including contribution, franchise fees, and public service tax, is forecasted to be \$247.6 million, which represents 20% of budgeted base revenues and 14% of the total proposed JEA budget.

The budget is sensitive to the challenges of the current economic conditions and does not include any base rate increases. Current expectations are that unit sales will have small growth in the Electric System and will remain flat in the Water and Sewer System. Our goal is to achieve base rate stability by effectively balancing the need for very tight expense controls with continued investment in improving the utility system's operating performance, improving the quality of service delivery, achieving regulatory compliance, and ensuring workforce readiness.

The budget includes internal funding of the capital program to support the "pay-go" philosophy for all recurring capital expenditures.

The proposed operating budgets for FY2019 are \$1,286.3 million for the Electric System, \$528.4 million for the Water and Sewer System and \$9.3 million for the District Energy System. The proposed capital budgets for FY2019 are \$334.6 million for the Electric System, \$248.5 million for the Water and Sewer System, and \$5.1 million for the District Energy System.

Following are highlights of the proposed budget:

- FY2019 operating budget, \$29.5 million higher than FY2018, a result of sales growth in the Electric System and an appropriation of \$28.4 million from prior year revenues to fund capital projects in the Water and Sewer System
- No planned Electric System base rate adjustments
- No planned Water and Sewer System rate adjustments

ELECTRIC

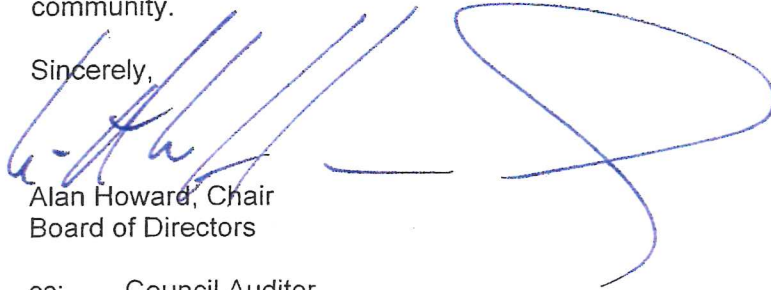
WATER

SEWER

- Government transfers of \$247.6 million, including, a record high City of Jacksonville General Fund contribution of \$117.6 million, Franchise Fees of \$39.5 million, and Public Service Tax collection of \$90.5 million
- Capital program to ensure continued system reliability without issuance of new debt
- \$363 million scheduled debt reduction
- Financial metrics that meet Rating Agency commitments
- Funding for key strategic issues such as climate change, conservation, sewer resiliency, septic tank phase-out, improving service delivery, and water resource planning
- Rigorous and disciplined focus on workplace safety
- Funding for compliance, security, and enterprise risk management

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

Sincerely,

A large, stylized handwritten signature in blue ink, likely belonging to Alan Howard, is written over the word "Sincerely," and extends to the right of the text.

Alan Howard, Chair
Board of Directors

cc: Council Auditor
Office of Mayor (3 copies)

Attachments: Schedules A and B

**JEA
CONSOLIDATED OPERATING BUDGET
FISCAL YEAR 2019**

	Electric System	Water & Sewer System	District Energy System	Total
FUEL RELATED REVENUES & EXPENSES:				
FUEL REVENUES:	\$ 422,782,362	\$ -	\$ -	\$ 422,782,362
Total Net Revenues	\$ 422,782,362	\$ -	\$ -	\$ 422,782,362
FUEL EXPENSES:				
Fuel & Purchased Power	\$ 422,782,362	\$ -	\$ -	\$ 422,782,362
FUEL SURPLUS/(DEFICIT)	\$ -	\$ -	\$ -	\$ -
BASE RELATED REVENUES & EXPENSES				
BASE OPERATING REVENUES:				
Base Rate Revenues	\$ 812,153,353	\$ 428,955,188	\$ 9,256,655	\$ 1,250,365,196
Environmental Charge Revenue	8,039,817	28,360,500	-	36,400,317
Conservation Charge & Demand Side Revenue	1,000,000	-	-	1,000,000
Other Revenues	28,263,290	40,244,423	-	68,507,713
Natural Gas Pass Through Revenue	2,464,374	-	-	2,464,374
Total Base Related Revenues	\$ 851,920,834	\$ 497,560,111	\$ 9,256,655	\$ 1,358,737,600
BASE OPERATING EXPENSES:				
Operating and Maintenance	\$ 221,286,372	\$ 157,495,854	\$ 5,127,648	\$ 383,909,874
Environmental	8,039,817	4,346,266	-	12,386,083
Conservation & Demand-side Management	7,590,014	-	-	7,590,014
Natural Gas Pass Through Expense	2,418,255	-	-	2,418,255
Non-Fuel Purchased Power	73,564,702	-	-	73,564,702
Non-Fuel Uncollectibles & PSC Tax	1,437,598	685,974	-	2,123,572
Emergency Reserve	5,000,000	1,000,000	-	6,000,000
Total Base Related Expenses	\$ 319,336,758	\$ 163,528,094	\$ 5,127,648	\$ 487,992,500
BASE OPERATING INCOME:	\$ 532,584,076	\$ 334,032,017	\$ 4,129,007	\$ 870,745,100
NON-OPERATING REVENUE:				
Investment Income	11,600,594	6,318,534	-	17,919,128
Transfer To/From Fuel Recovery	-	-	-	-
Capacity Fees	-	24,500,000	-	24,500,000
Total Non Operating Revenues	\$ 11,600,594	\$ 30,818,534	\$ -	\$ 42,419,128
NON-OPERATING EXPENSES:				
Debt Service	203,668,843	120,135,545	3,020,449	326,824,837
Total Non Operating Expenses	\$ 203,668,843	\$ 120,135,545	\$ 3,020,449	\$ 326,824,837
BASE INCOME BEFORE TRANSFERS	\$ 340,515,827	\$ 244,715,006	\$ 1,108,558	\$ 586,339,391
City Contribution Expense	92,952,147	24,695,388	-	117,647,535
Interlocal Payments	-	-	-	-
Renewal and Replacement Fund	65,500,000	24,904,610	443,117	90,847,727
Operating Capital Outlay	182,063,680	155,200,774	665,441	337,929,895
Environmental Capital Outlay	-	15,414,234	-	15,414,234
Capacity Fees	-	24,500,000	-	24,500,000
Operating Contingency	-	-	-	-
Total Non-Fuel Expenses	\$ 340,515,827	\$ 244,715,006	\$ 1,108,558	\$ 586,339,391
SURPLUS/(DEFICIT)	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	\$ 1,286,303,790	\$ 528,378,645	\$ 9,256,655	\$ 1,823,939,090
TOTAL APPROPRIATIONS	\$ 1,286,303,790	\$ 528,378,645	\$ 9,256,655	\$ 1,823,939,090
BUDGETED EMPLOYEE POSITIONS	1,553	599	6	2,158
BUDGETED TEMPORARY HOURS	104,000	20,800	0	124,800

**JEA
CONSOLIDATED CAPITAL BUDGET
FISCAL YEAR 2019**

	Electric System	Water & Sewer System	District Energy System	Total
CAPITAL FUNDS:				
Renewal & Replacement Deposits	\$ 65,500,000	\$ 24,904,610	\$ 443,117	\$ 90,847,727
Operating Capital Outlay	182,063,680	155,200,774	665,441	337,929,895
Environmental Capital Outlay	-	15,414,234	-	15,414,234
Capacity Fees	-	24,500,000	-	24,500,000
Debt Proceeds	-	-	-	-
Other Proceeds	87,024,320	28,441,382	3,999,442	119,465,144
Total Capital Funds	<u>\$ 334,588,000</u>	<u>\$ 248,461,000</u>	<u>\$ 5,108,000</u>	<u>\$ 588,157,000</u>
CAPITAL PROJECTS:				
Generation Projects	\$ 113,000,000	\$ -	\$ -	\$ 113,000,000
Transmission & Distribution Projects	137,221,000	-	-	137,221,000
District Energy Projects	-	-	5,108,000	5,108,000
Water Projects	-	71,300,000	-	71,300,000
Sewer Projects	-	144,657,000	-	144,657,000
Other Projects	84,367,000	32,504,000	-	116,871,000
Total Capital Projects	<u>\$ 334,588,000</u>	<u>\$ 248,461,000</u>	<u>\$ 5,108,000</u>	<u>\$ 588,157,000</u>