

Recommended

**Operating and Capital Budget
As Adopted
June 20, 2017**

FOR THE YEAR
OCTOBER 1, 2017 – SEPTEMBER 30, 2018



21 West Church Street
Jacksonville, Florida 32202-3139

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JUN 30 2017

**CITY COUNCIL
JACKSONVILLE, FLORIDA**

June 27, 2017



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

Dear Council President Brosche:

ELECTRIC

Pursuant to the City of Jacksonville Charter, I am transmitting the proposed JEA Fiscal Year (FY) 2018 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.

WATER

SEWER

The budget includes a \$1.2 million (1.0%) increase in City Contribution, bringing the total FY2018 contribution to \$117.0 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 \$244.8 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 remain flat on the Electric System and have significant growth 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 FY2018 are \$1,268.5 million for the Electric System, \$516.8 million for the Water and Sewer System and \$9.1 million for the District Energy System. The proposed capital budgets for FY2018 are \$205.2 million for the Electric System, \$236.5 million for the Water and Sewer System, and \$3.2 million for the District Energy System.

Following are highlights of the proposed budget:

- FY2018 operating budget, \$59.9 million higher than FY2017, a result of sales growth in the Water and Sewer System and an appropriation of \$21.5 million from prior year revenues to fund capital projects
- No planned Electric System base rate adjustments
- No planned Water and Sewer System rate adjustments
- Government transfers of \$244.8 million, including, a record high City of Jacksonville General Fund contribution of \$117.0 million (up \$1.2 million, or 1.0% over this current fiscal year), Franchise Fees of \$39.5 million, and Public Service Tax collection of \$88.3 million

> Capital program to ensure continued system reliability without issuance of new debt

> \$187 million scheduled debt reduction

> Financial metrics that meet Rating Agency commitments

> Funding for key strategic issues such as climate change, sewer resiliency, improving service delivery, and water resource planning

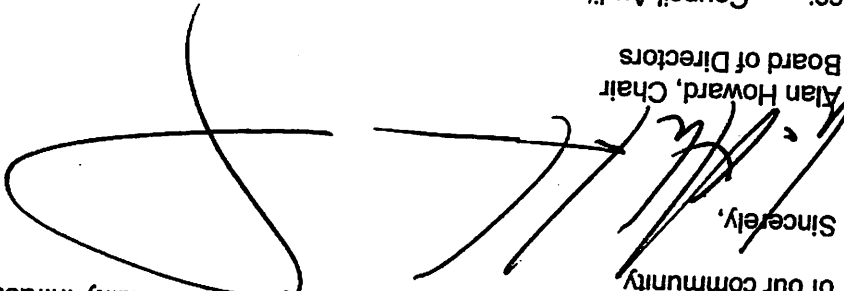
> Rigorous and disciplined focus on workplace safety

> 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,

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 2018**

	Electric System	Water & Sewer System	District Energy System	Total
FUEL RELATED REVENUES & EXPENSES:				
FUEL REVENUES:	\$ 417,649,053	\$ -	\$ -	\$ 417,649,053
Total Net Revenues	<u>\$ 417,649,053</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 417,649,053</u>
FUEL EXPENSES:	\$ 417,649,053	\$ -	\$ -	\$ 417,649,053
Fuel & Purchased Power	<u>\$ 417,649,053</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 417,649,053</u>
FUEL SURPLUS/(DEFICIT)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BASE RELATED REVENUES & EXPENSES				
BASE OPERATING REVENUES:				
Base Rate Revenues	\$ 802,292,405	\$ 428,490,220	\$ 9,125,828	\$ 1,239,908,453
Environmental Charge Revenue	7,942,200	28,360,500	-	36,302,700
Conservation Charge & Demand Side Revenue	1,000,000	-	-	1,000,000
Other Revenues	30,551,894	34,091,486	-	64,643,380
Natural Gas Pass Through Revenue	2,383,913	-	-	2,383,913
Total Base Related Revenues	<u>\$ 844,170,412</u>	<u>\$ 490,942,206</u>	<u>\$ 9,125,828</u>	<u>\$ 1,344,238,446</u>
BASE OPERATING EXPENSES:				
Operating and Maintenance	\$ 216,333,937	\$ 151,804,759	\$ 5,139,991	\$ 373,278,687
Environmental	7,942,200	1,589,300	-	9,531,500
Conservation & Demand-side Management	7,510,000	-	-	7,510,000
Natural Gas Pass Through Expense	2,290,414	-	-	2,290,414
Non-Fuel Purchased Power	85,372,055	-	-	85,372,055
Non-Fuel Uncollectibles & PSC Tax	1,210,993	685,277	-	1,896,270
Emergency Reserve	5,000,000	1,000,000	-	6,000,000
Total Base Related Expenses	<u>\$ 325,659,599</u>	<u>\$ 155,079,336</u>	<u>\$ 5,139,991</u>	<u>\$ 485,878,926</u>
BASE OPERATING INCOME:	<u>\$ 518,510,813</u>	<u>\$ 335,862,870</u>	<u>\$ 3,985,837</u>	<u>\$ 858,359,520</u>
NON-OPERATING REVENUE:				
Investment Income	6,714,534	4,854,301	-	11,568,835
Transfer To/From Fuel Recovery	-	-	-	-
Capacity Fees	-	21,000,000	-	21,000,000
Total Non Operating Revenues	<u>\$ 6,714,534</u>	<u>\$ 25,854,301</u>	<u>\$ -</u>	<u>\$ 32,568,835</u>
NON-OPERATING EXPENSES:				
Debt Service	228,558,551	121,122,632	3,019,084	352,700,268
Total Non Operating Expenses	<u>\$ 228,558,551</u>	<u>\$ 121,122,632</u>	<u>\$ 3,019,084</u>	<u>\$ 352,700,268</u>
BASE INCOME BEFORE TRANSFERS	<u>\$ 296,666,795</u>	<u>\$ 240,594,539</u>	<u>\$ 966,753</u>	<u>\$ 538,228,087</u>
City Contribution Expense	91,471,795	25,148,020	-	116,619,815
Interlocal Payments	-	-	-	-
Renewal and Replacement Fund	64,537,408	23,950,558	440,362	88,928,328
Operating Capital Outlay	140,657,592	152,324,761	526,391	293,508,744
Environmental Capital Outlay	-	18,171,200	-	18,171,200
Capacity Fees	-	21,000,000	-	21,000,000
Operating Contingency	-	-	-	-
Total Non-Fuel Expenses	<u>\$ 296,666,795</u>	<u>\$ 240,594,539</u>	<u>\$ 966,753</u>	<u>\$ 538,228,087</u>
SURPLUS/(DEFICIT)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL REVENUES	<u>\$ 1,268,533,999</u>	<u>\$ 516,796,507</u>	<u>\$ 9,125,828</u>	<u>\$ 1,794,456,334</u>
TOTAL APPROPRIATIONS	<u>\$ 1,268,533,999</u>	<u>\$ 516,796,507</u>	<u>\$ 9,125,828</u>	<u>\$ 1,794,456,334</u>
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 2018**

	Electric System	Water & Sewer System	District Energy System	Total
CAPITAL FUNDS:				
Renewal & Replacement Deposits	\$ 64,537,408	\$ 23,950,558	\$ 440,362	\$ 88,928,328
Operating Capital Outlay	140,657,592	152,324,761	526,391	293,508,744
Environmental Capital Outlay	-	18,171,200	-	18,171,200
Capacity Fees	-	21,000,000	-	21,000,000
Debt Proceeds	-	-	-	-
Other Proceeds	-	21,064,481	2,274,247	23,338,728
Total Capital Funds	<u>\$ 205,195,000</u>	<u>\$ 236,511,000</u>	<u>\$ 3,241,000</u>	<u>\$ 444,947,000</u>
CAPITAL PROJECTS:				
Generation Projects	\$ 27,585,000	\$ -	\$ -	\$ 27,585,000
Transmission & Distribution Projects	102,012,000	-	-	102,012,000
District Energy Projects	-	-	3,241,000	3,241,000
Water Projects	-	56,551,000	-	56,551,000
Sewer Projects	-	153,488,000	-	153,488,000
Other Projects	75,598,000	26,472,000	-	102,070,000
Total Capital Projects	<u>\$ 205,195,000</u>	<u>\$ 236,511,000</u>	<u>\$ 3,241,000</u>	<u>\$ 444,947,000</u>