FINANCE COMMITTEE

AGENDA PACKAGE

AUGUST 21, 2019
2:00 p.m.
Dial-in Info 877-668-4493 or 650-479-3208
Meeting Number 739 598 134

Committee Members

Karen Nelson, Jacksonville Beach – Chairwoman
Jody Young, Bushnell
Nina Penick, Fort Pierce
Howard McKinnon, Havana
Barbara Quiñones, Homestead
Jack Wetzler, Key West
Larry Mattern, Kissimmee
Jim Williams, Leesburg
Steve Langley, Mount Dora
Dallas Lee, Newberry
Marie Brooks, Ocala
James Braddock, Wauchula

Meeting Location
Florida Municipal Power Agency 8553 Commodity Circle Orlando, FL 32819

(407) 355-7767

Linda S. Howard, CPA, CTP
Chief Financial Officer

MEMORANDUM

TO: FMPA Finance Committee

FROM: Linda S. Howard

DATE: August 13, 2019

SUBJECT: FMPA Finance Committee Meeting
Wednesday, August 21, 2019 at 2:00 p.m.

PLACE: Florida Municipal Power Agency Board Room, 8553 Commodity Circle, Orlando, FL 32819

DIAL-IN INFORMATION: 877-668-4493 or 650-479-3208, Meeting 739 598 134#
(If you have trouble connecting via phone or internet, please call 407-355-7767)

Larry Mattern, Presiding

AGENDA

LSH/pa

One or more participants in the above referenced public meeting may participate by telephone. At the above location there will be a speaker telephone so that any interested person can attend this public meeting and be fully informed of the discussions taking place either in person or by telephone communication. If anyone chooses to appeal any decision that may be made at this public meeting, such person will need a record of the proceedings and should accordingly ensure that a verbatim record of the proceedings is made, which includes the oral statements and evidence upon which such appeal is based. This public meeting may be continued to a date and time certain, which will be announced at the meeting. Any person requiring a special accommodation to participate in this public meeting because of a disability, should contact FMPA at (407) 355-7767 or 1-(888)-774-7606, at least two (2) business days in advance to make appropriate arrangements.

AGENDA ITEM 1 - CALL TO ORDER, ROLL CALL, DECLARATION OF QUORUM

Finance Committee Meeting
August 21, 2019

AGENDA ITEM 2 – RECOGNITION OF GUESTS

Finance Committee Meeting
August 21, 2019

AGENDA ITEM 3 – PUBLIC COMMENTS (Individual Public Comments Limited to 3 Minutes)

Finance Committee Meeting
August 21, 2019

AGENDA ITEM 4 – SET AGENDA (By Vote)

Finance Committee Meeting
August 21, 2019

AGENDA ITEM 5 – APPROVAL OF MINUTES

a. Approval of Minutes – Finance Committee Minutes – Meeting Held June 25, 2019

Finance Committee Meeting
August 21, 2019

CLERKS DULY NOTIFIED .... June 18, 2019
AGENDA PACKAGE SENT TO MEMBERS ....June 18, 2019

MINUTES
TELEPHONIC FINANCE COMMITTEE MEETING
TUESDAY, JUNE 25, 2019
FLORIDA MUNICIPAL POWER AGENCY
8553 COMMODITY CIRCLE
ORLANDO, FL

PARTICIPANTS PRESENT VIA TELEPHONE	Karen Nelson	-	Jacksonville Beach
	Nina Penick	-	Fort Pierce
	Jack Wetzler	-	Key West
	Larry Mattern	-	Kissimmee
	Jim Williams	-	Leesburg
	James Braddock	-	Wauchula
	Jody Young	-	Bushnell
	Steve Langley	-	Mount Dora
	Dallas Lee	-	Newberry
PARTICIPANTS ABSENT	Howard McKinnon	-	Havana
	Barbara Quinones	-	Homestead

OTHERS PRESENT
Emery Roberts, City of Ocala
Craig Dunlap, Dunlap and Associates, Inc.

STAFF PRESENT

Jacob Williams, General Manager and CEO (via telephone)
Jody Finklea, General Counsel and CLO (via telephone)
Ken Rutter, Chief Operating Officer
Linda Howard, Chief Financial Officer
Rich Popp, Treasurer and Risk Director
Liyuan Woerner, Audit Manager
Denise Fuentes, Financial Analyst (via telephone)
Steve Ruppel, Senior Financial Analyst (via telephone)
Trent Lewis, Auditor II
Paige Arnett, HR Assistant

ITEM 1 – Call to Order, Roll Call and Declaration of Quorum

Chairperson Karen Nelson, Jacksonville Beach, called the FMPA Finance Committee Meeting to order at 9:00 a.m. on Tuesday, June 25, 2019, in the 1st Floor Conference Room at FMPA, 8553 Commodity Circle, Orlando, Florida. The roll was taken, and a quorum was declared with 9 of 11 members present.

ITEM 2 – RECOGNITION OF GUESTS

Emery Roberts, City of Ocala.

ITEM 3 – PUBLIC COMMENTS (INDIVIDUAL PUBLIC COMMENTS LIMITED TO 3 MINUTES)

None.

ITEM 4 – SET AGENDA (BY VOTE)

MOTION: James Braddock, Wauchula, moved approval of the agenda as presented. Larry Mattern, Kissimmee, seconded the motion. Motion carried 9-0.

ITEM 5 – APPROVAL OF MINUTES

5a - Approval of Minutes – Finance Committee Minutes – Meeting Held May 29, 2019, Audit Services Presentation Minutes - June 4, 2019, Audit Services Presentation Minutes - June 5, 2019 and Finance Committee Minutes – Meeting Held June 10, 2019.

MOTION: Larry Mattern, Kissimmee, moved approval of the minutes as presented. Jim Williams, Leesburg, seconded the motion. Motion carried 9-0.

ITEM 6 – CHAIRPERSON'S REMARKS

None.

ITEM 7– ACTION ITEMS

a. None

ITEM 8 – INFORMATION ITEMS

a. **Final Capital Appreciation Bonds Report**

Rich Popp discussed the Final Capital Appreciation Bonds closing update.

b. **Audit Schedule for the Remainder of 2019**

Liyuan Woerner discussed the Audit Schedule for the Remainder of 2019. Five of the policies were reported on with a total of 15 policies all together. The ten policies not discussed during the meeting will be reviewed throughout the year.

c. **Risk Management Policy Compliance Review**

Liyuan Woerner discussed the Risk Management Policy Compliance Review and will go over policies to see if anything needs to be revised. No changes were recommended.

d. **Operational Audit Report**

Liyuan Woerner discussed the Operational Audit Report and went over audit procedures and findings. Nina Penick, Fort Pierce, further questioned the internal controls in place for who has access to make vendor changes regarding the accounting Information. Linda Howard said that there is a small group of people able to make changes to the vendor set up information. Liyuan Woerner said there is also a form and process for vendor changes.

Chairperson Karen Nelson, Jacksonville Beach, asked what kind of controls we have in place to verify that invoices aren't paid more than once in the accounts payable system. Linda Howard responded that the system won't process the same invoice number twice for payment. Liyuan Woerner mentioned that this is also part of an audit procedure as they compare a list of paid invoices to a list of invoices submitted.

ITEM 9 – POLICIES

a. **Insurance Program Policy**

b. **Contingency Policy**

c. **Power Supply and Resource Planning Policy**

d. **Fuel Management Policy**

e. **Origination Policy**

The policies were included in the agenda package for information. There was no further discussion.

ITEM 10 – REPORTS

a. **FGU May Storage Report**

The storage report was included in the package for information only. There was no discussion.

ITEM 11 – COMMENTS

Jack Wetzler, Key West, asked if FMPA has ransomware insurance. Rich Popp answered that the Agency purchased ransomware insurance in May.

Larry Mattern, Kissimmee, discussed the purpose behind the Finance Committee and wanted to further understand the Finance Committee's role in approving and reviewing agenda items.

Discussed ensued regarding the Finance Committee's authority when the Committee's decision differs from staff as was the case with the audit firm selection. Linda Howard affirmed that the Finance Committee Recommendation is what ultimately goes to the Board for their approval.

ITEM 11 – ADJOURNMENT

There being no further business the meeting was adjourned at 9:43 a.m.

Approved:

____

Date

KN/pa

AGENDA ITEM 6 – CHAIRPERSON'S REMARKS

Finance Committee Meeting
August 21, 2019

VERBAL REPORT

AGENDA ITEM 7 – CFO Report

Finance Committee Meeting
August 21, 2019

AGENDA ITEM 8 – ACTION ITEMS

a. Recommended Risk Policy Changes

Finance Committee Meeting
August 21, 2019

8a – Recommended Risk Policy Changes

Finance Committee

August 21, 2019

Summary of Policy Review Process

- Policies are reviewed annually to
  - Determine operational effectiveness
  - Increase awareness and compliance
  - Serve as a tool for revision of policies as necessary

FMPA MUNICIPAL POWER

Policies Recommended for Change

- **Credit Policy** : Establishes the governance, framework, and the controls under which FMPA may extend credit to counterparties. This Policy is Appendix E of the FMPA Risk Management Policy.
- **FMPA Risk Policy** : Establishes the governance, framework, and controls under which FMPA engages in enterprise risk management.
- **Investment Policy** : Identify, measure and minimize future business risk resulting from the investment and management of FMPA's financial assets. This Policy is Appendix C of the FMPA Risk Management Policy.

Recommended Changes

- Refine the Credit Policy to lower approval thresholds (Section 4.1) from $10 million down to $5 million, this will provide greater oversight
- Removal of Risk Policy external review of enterprise risk management every five years (Section 4.0)
- Change Investment Policy to increase corporate notes from 10% to 20% of the portfolio (Section 5.5).

Discussion

Motion

Finance Committee

- Approval of the recommended FMPA Risk Policy changes.

AGENDA ITEM 8 – ACTION ITEMS

b. Review and Approval of the FY 2019 Pooled Loan Project Budget for Recommendation to the Board of Directors for Approval

Finance Committee Meeting
August 21, 2019

8b - Pooled Loan Project FY 2019 Budget

Finance Committee
August 21, 2019

Pooled Loan Budget

- 1st Pooled Loan Project borrowing (Bushnell) now targeted to close at the end of August 2019
- Pooled Loan Project Budget approved for FY 2020 but not for current fiscal year.
- Requesting spending authority for the maximum administration cost that might be spent this year.

Spending Authority

FY 2019 Budget Amount (1 month)

- Bushnell Loan Expenses [1]
  - Allocation of Start-up Costs (Collected over 10 years) $ 345 *(c*d/10 years)*
    - Start-up Costs (Legal Fees, Trustee, Bank) $139,500 (a)
    - Total Authorized Pool Loan $25,000,000 (b)
    - BPS per Pool Loan Dollar *(a/b)* .00518 (c)
    - Pooled Loans Original Par Amount $8,000,000 (d)
  - A&G 836
  - Trustee Fees 292
- Bushnell Total $ 1,473
- Contingency if additional loans close in FY19 $ 3,527
- Total Requested Spending Authority $ 5,000

[1] Amounts shown are only reflected for one month.

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Recommended Motion

- Move approval of Resolution 2019-B8 to Board of Directors for approval

AGENDA ITEM 8 – ACTION ITEMS

c. **Underwriter selection for the 2019 Refinancing Request for Proposals**

Finance Committee Meeting
August 21, 2019

8c– Underwriter Selection for the 2019 Refinancing Request for Proposals

Finance Committee

August 21, 2019

ARP 2008C Have Swap Counterparties

BOD Guidance to Terminate Swaps When Economically Feasible

- Current Swap Mark to Market Position is ~$14.6M due to Counterparties
- Swaps are tied to LIBOR
  - LIBOR goes away at the end of 2021
  - Will need to refinance before then
- Bond Market is providing a premium for municipal debt
  - More buyers than municipal sellers
  - Estimated PV Cost $656k

ARP 2013A Is Tied to LIBOR

Callable Any Time

- LIBOR going away at the end of 2021
- Small remaining balance of $6,615,000
- Economical to package this refinancing with the 2008C
- Estimated PV Cost $29,434

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Request for Proposal for 2019A & B Series

Selection of Underwriter(s) for Refinancing Transaction

- Issued RFP on 7/31/2019
  - Select group of 5 underwriters
    - Underwriters who FMPA has had recent communication on swaps
- Responses received on 8/9/2019
- Staff will make recommendation at the August meeting

Timetable of Transaction

Next Steps After Underwriter Selection

- September – FC and EC approval of transaction
- Sept/Oct – Swap negotiations
- 9/30/19 – Receive Ratings from Moody's & Fitch
- 10/7/19 – Issue final Official Statement
- 10/23/19 – Close on 2019 Bonds

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Recommended Action

- Move approval of recommended underwriters for the 2019 Refinancing transaction

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AGENDA ITEM 8 – ACTION ITEMS

d. Recommend change to 1st and 2nd read process for Board and Executive Committee Approval

Finance Committee Meeting
August 21, 2019

8d – Recommend Change to 1st and 2nd Read Process for Board and Executive Committee Approval

Finance Committee

August 21, 2019

Approval Process for Finance Matters

Prior to Newly Formed Finance Committee

- The current two read process includes
  - Information item is presented at least 1 meeting before Board or Executive Committee action is taken
  - Action item is presented only after an information item has been discussed and vetted

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Recommended Process Change

Fully Utilizes the Finance Committee

- The newly formed finance committee (Committee) has a broad scope as laid out in its charter.
- The Committee authority covers all finance related matters and is structured with the expertise necessary to fully review and examine agenda items brought forth by staff prior to any action being taken. This would constitute a first read.
- Finance Committee is appointed by the Board and Executive Committee (EC) Chairs; no less than 9 members with at least five ARP representatives
- Proposal:
  - Once the Committee examines and approves an item the Committee would then recommend approval to the Board and/or EC for approval
  - This would constitute a second read under this proposal

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Recommended Action

- Move approval of this new process for agenda item review

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AGENDA ITEM 9 - INFORMATION ITEMS

a. Update on Bond Counsel RFP

Finance Committee Meeting
August 21, 2019

9a – Update on Bond Counsel RFP

Finance Committee

August 21, 2019

History

Nixon Peabody Started with FMPA

- Nixon has tremendous historical knowledge of FMPA since its inception
- Nixon, with its predecessor firms, has been the only Bond Counsel for FMPA since first bonds were issued in 1983
- Nixon has performed well over their tenure
- Nixon has worked with FMPA through several challenging transactions including all debt and swap transactions through the years and the Vero Beach transaction

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Competitive Process
Auditor General Comment

- As with all of our professional partners, the auditor general recommended that FMPA conduct a competitive bid process on a periodic basis
- As such, FMPA will be issuing an RFP for Bond and/or Public Finance Counsel
- The RFP will be structured such that one firm may serve as both bond counsel, with the entire scope of work being handled by a single firm, or the representation could be divided among two or more firms

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Request for Proposal for Bond and Public Finance Counsel

Proposed Timeline

- 8/22/19 – Issue RFP
- 9/20/19 – RFPs Due to FMPA
- Wk of 9/30/19 – Oral presentations
- Oct/November – Recommendation to Finance Committee
- 12/12/2019 – Final Board Approval
- 01/2020 –New Bond Counsel Contract

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Recommended Action

- Information Only

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AGENDA ITEM 9 – INFORMATION ITEMS

b. Update on Depository Bank

Finance Committee Meeting
August 21, 2019

9b-Update on Depository Bank

Finance Committee

8/21/2019

Current Banking Provider Status

- SunTrust for Banking, Custody and Corporate Card services for over 10 years
- Why consider a new banking provider?
  - Dated banking platforms
  - Declining service with management of accounts
  - BB&T and SunTrust Merger announced February 2019

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Review Process – Initial

- Met with 4 providers to view their banking platforms and discuss capabilities
  - JP Morgan
  - BB&T
  - Wells Fargo
  - Bank of America

Review Process – Two Finalist

- Narrowed down to two finalist: Wells Fargo and Bank of America
- In-depth review of services
  - Access online features, technical capabilities, security and fraud controls, etc.
  - Review banks financial strength, history, and experience with governmental clients
  - Received proposal of fees
- Review Team – IT, Accounting, Treasury

Review Process – Two Finalist

Bank of America

- Online wire transfer between banking & custody
- Cash sweeps to BANA DDA
- *Operational concerns with trade instructions
- *Mobile application developing

Both

- Updated banking platforms
- Real-time data
- Same day ACH
- Online Statements
- Custom Reports
- Thorough security & Fraud Controls
- Cardholder entitlement options
- Competitive pricing

Wells Fargo

- Superior banking platforms
- Seamless transfers between banking & custody
- 6 methods to provide trade instructions
- Corporate Card platform features
- Mobile application for all services

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New Banking Provider Selection

- Unanimous vote for Wells Fargo
  - Banking, Custody and Corporate Card Services
  - Strong bank, robust platforms, enhanced capabilities, seamless connection between custody to banking
  - Custody Services sale to Principal Financial Group assessed – minimal operational impact to proposed services

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Benefits to FMPA

- Greater visibility into accounts
  - Real time data, detailed transaction info available, customizable reports, notifications and alerts
- Enhanced efficiencies
  - Address and resolve transactional issues quicker
- Additional options available in managing accounts and card programs
  - Banking, Custody, and Corporate Card: mobile application
  - Corporate Card: expense reporting capabilities

Next Steps

- Finalize contract with Wells Fargo
- Develop a calendar of action items and milestones with FMPA and Wells Fargo
- Work with employees for credit card transition
- Goal to be fully operating under Wells Fargo platform second quarter of fiscal year 2020

Recommended Action

- For information only. No action requested.

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AGENDA ITEM 9 – INFORMATION ITEMS

c. Report on Interim Audit

Finance Committee Meeting
August 21, 2019

9c - Report on Interim Audit

Finance Committee

August 21, 2019

FYE 2019 Interim Audit

Completed by Purvis Gray & Co July 22nd -July 26th

- Conducted management interviews
- Communicated FYE inventory procedures
- Discussed significant risk areas and transactions
- Identified areas for policy clarification & additional documentation for expense reports
- Recommendations for related expense report policy changes will be made at a subsequent meeting
- Purvis Gray & Company memo following

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2019 Finance Committee Entrance Conference Memo

FMPA

Fiscal Year Ended 09/30/2019

Our audit team performed interim audit field work on site at FMPA for the week ending on July 26nd 2019. Our audit team was able to accomplish our planned audit procedures thanks to the cooperative assistance of FMPA's staff. In summary, we performed the following procedures:

1. Prepared planning documentation including:
    a. Updated Planning related forms including reading minutes and meeting with management (as listed below)
    b. Internal control narratives, walkthroughs and/or tests for the following areas:
        1. Payroll
        2. Accounts Payable
        3. Payroll
        4. Member Billing (both ARP, Other Projects and PPAs)
        5. Cash and Investments
        6. Public Gas Partnership
2. Met with management personnel to discuss new items in their respective departments to determine potential audit impact for final fieldwork.
3. Reviewed significant risk areas and transactions:
    a. Vero Beach Transaction
    b. Vero Beach related debt payoff ($70M payoff for 2008C series)
    c. St. Lucie FSA Termination, CAB liquidation and related debt payoff
    d. New Prepaid Natural Gas Agreements
4. Held Exit Conference with Management via Phone Friday July 26, 2019:
    a. Plans to begin year end field work-Monday, November 4 , 2019
    b. Contract Audit assistance areas:
        i. Communicated Inventory procedures - Contract Audit will perform the count at the KUA site and will complete observations at the remaining sites (Stock Island and Treasure Coast).
        ii. Debt and Investment Compliance documentation
    c. Discussion of status of prior year management letter comment related to OT.
    d. Current Year Interim Discussion Items
        i. Accounts Payable:
            1. Expense Report Support –
                a. Increased documentation for mileage reimbursement and rationale of expenses related to meals and hotels, to ensure documented evidence of compliance with personnel policy and public purpose.
                b. Review and consider expanding the guidance for the policy related to Car Allowances, including specific identification of what is and is not covered. Currently the term "greater metropolitan area" is utilized. However, the application of that term does not appear to be consistent within the organization.

c. Timeliness of Submissions for approval – noted a reimbursement that was outside the 15 day window.

2. Rejected purchase orders – There appears to be a system limitation that "rejected" purchase orders are not rerouted back to the initiator in the same way as other POs. Therefore, the rejection option does not reroute the PO for approval and it can go unapproved. An additional report is available from IT to ensure that rejected POs do not go unapproved and could be added as a detect control step.

ii. PGP Impairment – will need to write off the portion of assets related to the July 2019 sale. The remaining PGP costs should be assessed in light of the recent sale and current market conditions to determine the current realizable value of the PGP asset. Each component of the remaining assets will need to be evaluated based on report received and feedback from the potential sales (if there is no market for the other assets and they will not be fully utilized by FMPA, they may need to be adjusted down to their net realizable value).

iii. Pooled Loan Program – will work with management to determine the proper accounting treatment and disclosure. Management anticipates this to be reported as conduit debt and a fiduciary fund for the undistributed loan proceeds.

iv. FMPP Invoice Review by Contract Audit – currently this is not being completed due to change in the software. Contract audit is in the process of waiting for an additional correspondence from the FMPP audit committee. Due to the heavy reliance of the pool to properly utilize rates and terms for FMPA as well as their PPA agreement the use of contract audit to review the invoices is a crucial internal control step.

v. Investment Management – it appears that the third party agreement was not renewed in the current year and all management has moved back in house.

vi. Vero Beach Transaction –

1. support for the process calculation of applying the rate protection amounts – monthly/annually

2. closing documents

3. calculation of $108 million

vii. New long-term physical gas purchase commitment contracts and the prepaid contracts. We have obtained copies of the new contracts to assess potential disclosure and accounting requirements of the purchase commitments.

viii. Asset Retirement Obligations (ARO) (GASB 83) – management is completing their analysis and documentation of the impact of implementation of the new accounting standard for ARO. Management has analyzed multiple potential ARO issues, including their interest in OUC Stanton coal units and various natural gas units. Management does not currently anticipate any liabilities to be recorded.

AGENDA ITEM 9 – INFORMATION ITEMS

d. Risk Management Policy Compliance Reviews

Finance Committee Meeting
August 21, 2019

9d – Risk Management Policy Compliance Reviews

Finance Committee

August 21, 2019

Finance Committee Responsibility

Risk Management Policies

- The mission of the Finance Committee (FC) is to oversee the administration of the Risk Management Policy including all appendices (each appendix covers a specific risk area at FMPA)
- To fulfill this mission , the FC shall regularly hear reports form staff on the risk management activities including detailed reports from staff
- Internal Audit staggers the policy reviews such that each area is reviewed once a year
- See list on next page

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Risk Areas Identified

Appendices in the Risk Management Policy

Risk Area	Appendix
Fuel Management	Appendix A
Debt Management	Appendix B
Investment Management	Appendix C
Insurance Program Management	Appendix D
Credit Risk Management	Appendix E
Contract Administration	Appendix F
Statutory and Regulatory Matters	Appendix G
Power Supply and Resource Planning	Appendix H
Asset Management and Operations	Appendix I
Accounting and Internal Controls	Appendix J
Origination Transaction Management	Appendix K
Records Management	Appendix L
Contingency Planning	Appendix M
Human Resource Management	Appendix N
Information Technology	Appendix O

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Summary of Policy Review Process

- Policies are reviewed annually to
  - Determine operational effectiveness
  - Increase awareness and compliance
  - Serve as a tool for revision of policies as necessary

Policies Covered This Cycle

- **Credit Policy** : Establishes the governance, framework, and the controls under which FMPA may extend credit to counterparties. This Policy is Appendix E of the FMPA Risk Management Policy.
- **FMPA Risk Policy** : Establishes the governance, framework, and controls under which FMPA engages in enterprise risk management.
- **Investment Policy** : Identify, measure and minimize future business risk resulting from the investment and management of FMPA's financial assets. This Policy is Appendix C of the FMPA Risk Management Policy.

Credit Policy Review

Major Areas Covered

- Deviations from the Policy
- Credit Risk Procedures
- Administrative update for personnel title changes
- List of approved counterparty transactions to be maintained
- Credit limit overages
- Approval thresholds

FMPA Risk Policy Review

Major Areas Covered

- Review of any policy violations
- Review of processes and procedures for listed Agency activities
- Risk framework methodology utilization
- Report policy deviations, if applicable
- Administrative update for personnel title changes
- External review of enterprise risk management every five years

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Investment Policy Review

Major Areas Covered

- Assure investments conformed to all legal requirements including bond resolutions
- Investments were made only in authorized securities as listed in Appendix A of the Investment Policy
- Records of securities chosen by competitive bid were maintained
- Securities were invested so maturities match Appendix B and Policy requirements
- Investments were diversified per Policy requirements and exceptions were reported if necessary

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Review Result

- Based on our review, there were no exceptions noted for Policies covered during this review cycle

Discussion

AGENDA ITEM 10 – REPORTS

a. FGU June and July Storage Report

Finance Committee Meeting
August 21, 2019

FMPA Storage Management Report

Florida Gas Utility

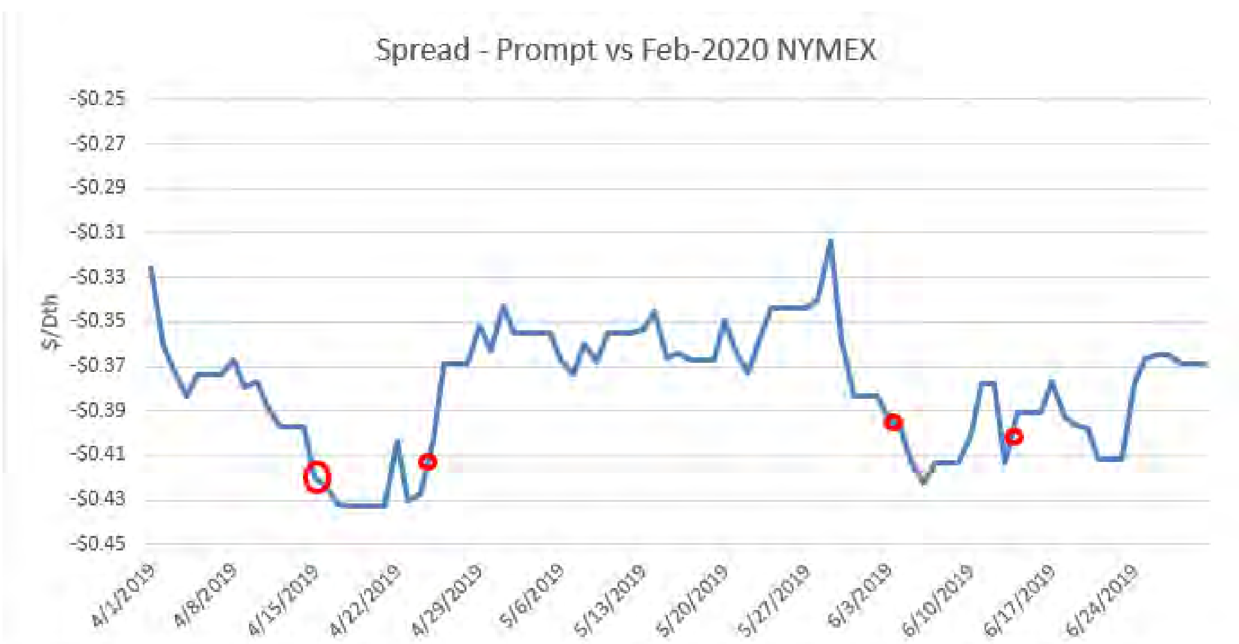
June 2019

Executive Summary – June 2019 Activity

In June 2019, FGU conducted physical gas injections across a particularly weak weekend of gas trading with no other physical activity during the month. FMPA's optimized storage position, as of June 30, 2019 is long 291,191 Dths of storage inventory and short a total of 292,500 Dths of financial hedges (short 22,500 Dths of August 2019 futures, and short 270,000 Dths of February 2020 futures). These financial positions are housed in FGU's clearing account with Rosenthal Collins Group (RCG) with associated margining requirements. FMPA's net optimized storage position increased in value by $9,690 during the month of June 2019 due primarily to changes in the spreads between the forward NYMEX contracts during June favoring the hedge positions held by FGU for FMPA's inventory, and due to the opportunistic inventory injections.

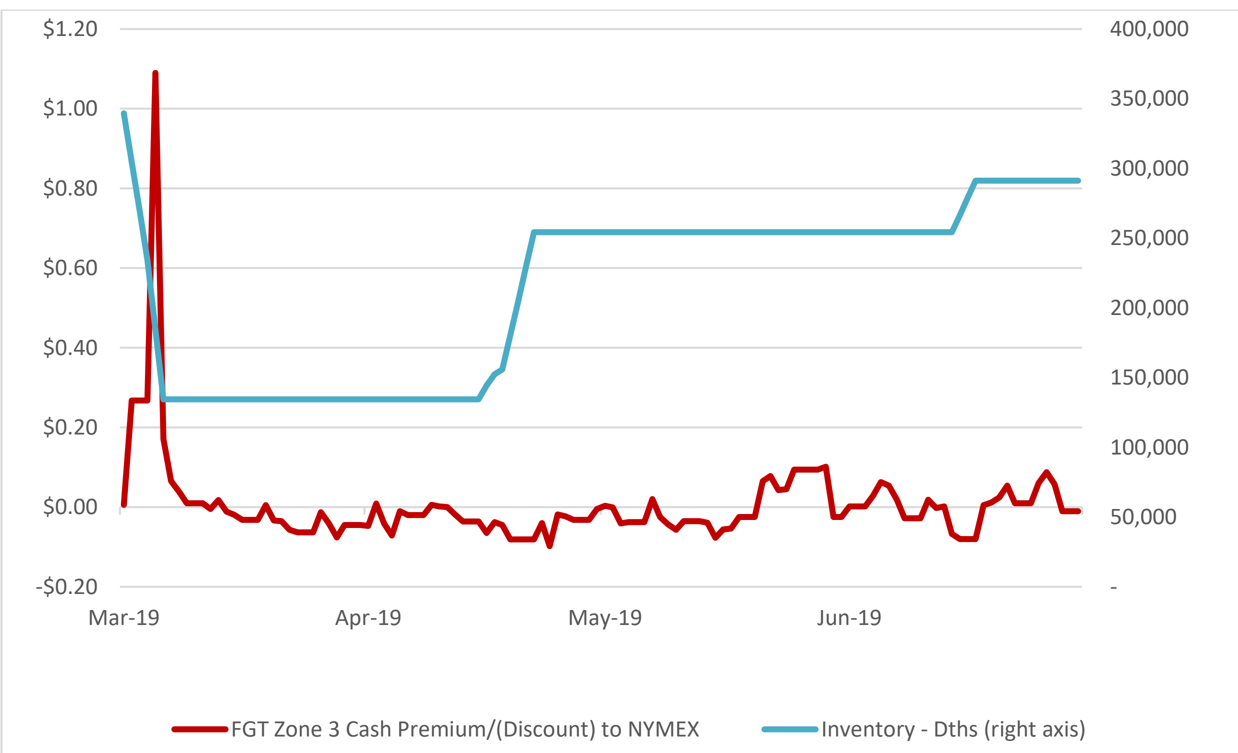
FGU staff has continued to monitor the forward NYMEX gas curve for optimal placement of storage hedges. Particularly weak NYMEX prices in the prompt month contract, relative to the winter 2019/20 contracts, led to use of the February 2020 NYMEX contract as the hedge product for the storage injections in June. Additionally, FGU moved a substantial portion of the previously existing prompt month hedges (i.e., July 2019 contract) into the February 2020 contract during the first week of June to capitalize on the spread valuation. FGU has executed the allocation of storage hedges to the February 2020 contract when spread levels offer a roughly $0.40/Dth premium versus the alterative prompt-month NYMEX contract (the red circles in the chart below represent the timing of such trades).

As shown in the chart below, during this summer season the discount of the prompt month NYMEX contract to the February 2020 contract has traded between $0.43/Dth and $0.31/Dth. With the vast majority of storage hedges already placed in the February 2020 contract, FGU will look for any opportunities to move some of those hedges back to the prompt-month NYMEX contract when that contract strengthens relative to the February 2020 contract (i.e., when the discount is less). Currently, FGU is working with a spread price objective of $0.35/Dth to reposition some of the hedges from February 2020 into the prompt-month (i.e., August 2019) NYMEX contract.



FGT Zone 3 Cash Market vs NYMEX Prompt-Month Futures

Cash Market Spread to NYMEX Prompt-Month vs FMPA Storage Inventory Level



Summary of Existing Physical Inventory Position (6/30/2019)

Total Inventory Volume	Total Inventory Cost	Inventory WACOG	Market Value	Marked to Market	Unrealized Gain/(Loss)
291,200	$777,937	$2.67	$2.33	$679,370	($98,568)

Summary of Existing Financial and Forward Physical Risk Management Positions (6/30/2019)

Delivery Month	Net Position	Realized Gain/(Loss) to Date	Open Equity	Total Value
May-19	0	$23,568	$0	$23,568
Jun-19	0	($1,373)	$0	($1,373)
Jul-19	0	$19,603	$0	$19,603
Aug-19	(22,500)	$0	($1,373)	($1,373)
Sep-19	0	$0	$0	$0
Oct-19	0	$0	$0	$0
Nov-19	0	$0	$0	$0
Dec-19	0	$0	$0	$0
Jan-20	0	$0	$0	$0
Feb-20	(270,000)	$0	$53,020	$53,020
Mar-20	0	$0	$0	$0
Apr-20	0	$0	$0	$0
May-20	0	$0	$0	$0
Jun-20	0	$0	$0	$0
Jul-20	0	$0	$0	$0
Aug-20	0	$0	$0	$0
Sep-20	0	$0	$0	$0
Oct-20	0	$0	$0	$0
Nov-20	0	$0	$0	$0
Dec-20	0	$0	$0	$0
Jan-21	0	$0	$0	$0
Feb-21	0	$0	$0	$0
Mar-21	0	$0	$0	$0
Apr-21	0	$0	$0	$0

Summary of Historical Value - Physical and Financial (December 2009 through June 2019)

Optimization Activity	Net Position (Dths)	Total Realized Gain/(Loss)	Unrealized Gain/(Loss)	Total Storage Net Benefit
Current Physical/Financial Positions (6/30/2019)	-1,300	$2,740,382	($46,515)	$2,693,867
Fees & Commissions		($46,360)		$2,647,506
NJRES Capacity Release		$477,598		$3,125,104
Sale of Call Options (Jan 2015)		$26,000		$3,151,104

Schedule of FMPA Gas and Cash Flows Related to FGU Storage Services

Month	Actual Injection Cost/ NYMEX Curve (6/30/19)	Actual/ Anticipated Cash Flow ($)	Net Injection Volume (Dths)	Net Withdrawal Volume (Dths)	Running Inventory Balance at End of Month (Dths)	Running Inventory Cost Balance ($)	WACOG ($/Dth)
Jan-19	**$0.00**	**($371,378)**	**0**	**128,214**	**339,571**	**$999,883**	**$2.9445**
Feb-19	**$0.00**	**$0**	**0**	**0**	**339,571**	**$999,883**	**$2.9445**
Mar-19	**$0.00**	**($603,931)**	**0**	**205,102**	**134,469**	**$395,952**	**$2.9446**
Apr-19	**$2.46**	**$295,171**	**119,795**	**0**	**254,264**	**$691,123**	**$2.7181**
May-19	**$0.00**	**$0**	**0**	**0**	**254,264**	**$691,123**	**$2.7181**
Jun-19	**$2.63**	**$86,815**	**36,927**	**0**	**291,191**	**$777,937**	**$2.6716**
Jul-19	*$2.29*	*$114,550*	*50,000*	*0*	*341,191*	*$892,487*	*$2.6158*
Aug-19	*$2.31*	*$0*	*0*	*0*	*341,191*	*$892,487*	*$2.6158*
Sep-19	*$2.28*	*$285,250*	*125,000*	*0*	*466,191*	*$1,177,737*	*$2.5263*
Oct-19	*$2.31*	*$46,220*	*20,000*	*0*	*486,191*	*$1,223,957*	*$2.5174*
Nov-19	*$2.40*	*$0*	*0*	*0*	*486,191*	*$1,223,957*	*$2.5174*
Dec-19	*$2.60*	*$0*	*0*	*0*	*486,191*	*$1,223,957*	*$2.5174*
Jan-20	*$2.71*	*($629,360)*	*0*	*250,000*	*236,191*	*$594,597*	*$2.5174*
Feb-20	*$2.68*	*($440,552)*	*0*	*175,000*	*61,191*	*$154,045*	*$2.5174*
Mar-20	*$2.60*	*$0*	*0*	*0*	*61,191*	*$154,045*	*$2.5174*
Apr-20	*$2.41*	*$0*	*0*	*0*	*61,191*	*$154,045*	*$2.5174*
May-20	*$2.39*	*$525,580*	*220,000*	*0*	*281,191*	*$679,625*	*$2.4170*
Jun-20	*$2.43*	*$0*	*0*	*0*	*281,191*	*$679,625*	*$2.4170*
Jul-20	*$2.47*	*$0*	*0*	*0*	*281,191*	*$679,625*	*$2.4170*
Aug-20	*$2.49*	*$0*	*0*	*0*	*281,191*	*$679,625*	*$2.4170*
Sep-20	*$2.47*	*$507,170*	*205,000*	*0*	*486,191*	*$1,186,795*	*$2.4410*
Oct-20	*$2.50*	*$0*	*0*	*0*	*486,191*	*$1,186,795*	*$2.4410*
Nov-20	*$2.56*	*$0*	*0*	*0*	*486,191*	*$1,186,795*	*$2.4410*
Dec-20	*$2.73*	*$0*	*0*	*0*	*486,191*	*$1,186,795*	*$2.4410*
Jan-21	*$2.83*	*($610,251)*	*0*	*250,000*	*236,191*	*$576,543*	*$2.4410*
Feb-21	*$2.81*	*($427,176)*	*0*	*175,000*	*61,191*	*$149,368*	*$2.4410*
Mar-21	*$2.70*	*$0*	*0*	*0*	*61,191*	*$149,368*	*$2.4410*
Apr-21	*$2.46*	*$0*	*0*	*0*	*61,191*	*$149,368*	*$2.4410*
May-21	*$2.42*	*$484,000*	*200,000*	*0*	*261,191*	*$633,368*	*$2.4249*
Jun-21	*$2.45*	*$0*	*0*	*0*	*261,191*	*$633,368*	*$2.4249*

Winter months

Bold = actual data

- Negative values reflect withdrawals of storage gas that have already been paid for.
- Positive values reflect charges to FMPA for gas purchases to be injected into storage.
- Months above reflect the period of storage activity and the actual charge/credit from FGU would occur the following month.

FMPA Storage Management Report

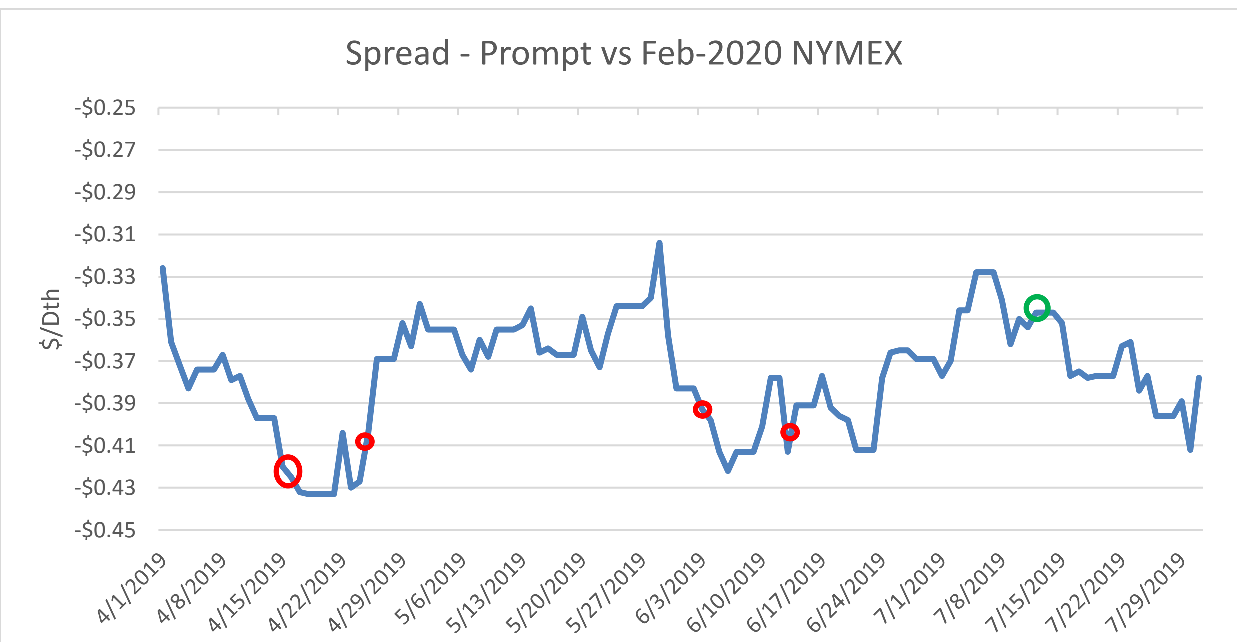
Florida Gas Utility

July 2019

Executive Summary – July 2019 Activity

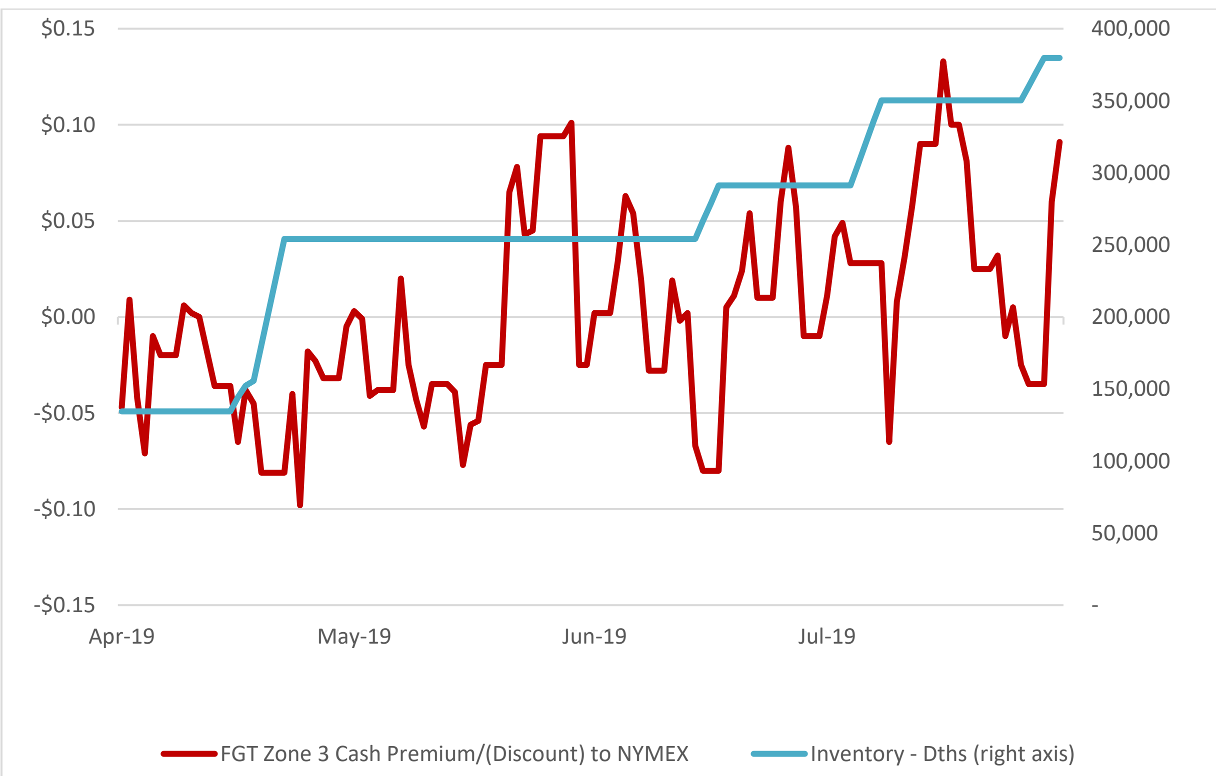
In July 2019, FGU conducted physical gas injections across two weekend periods of gas trading with no other physical activity during the month. The first opportunity came following the July 4th holiday and was operationally driven as a result of changing forecasts for FMPA generation dispatch following the holiday. The second was economic driven across the weekend of July 27th, where heavy rains were projected, resulting in low demand and reduced prices in the cash market for Florida. FMPA's optimized storage position, as of July 31, 2019 is long 379,748 Dths of storage inventory and short a total of 380,00 Dths of financial hedges (short 157,500 Dths of September 2019 futures, and short 222,500 Dths of February 2020 futures). These financial positions are housed in FGU's clearing account with Rosenthal Collins Group (RCG) with associated margining requirements. FMPA's net optimized storage position increased in value by $3,113 during the month of July 2019 due primarily to optimization of storage hedge positions across the forward NYMEX contracts, and due to the opportunistic inventory injections in late July.

FGU has continued to monitor the forward NYMEX curve to ensure optimized placement of storage hedges for the remainder of summer and into the coming winter months. The chart below is a continuation of the chart from the June 2019 storage report that reflects the discount of the prompt month NYMEX contract spread to the February 2020 contract. As shown in the chart, the prompt month NYMEX contract has traded at a discount to the February 2020 contract of between $0.43/Dth and $0.31/Dth over the past four months. The red circles represent the timing of short storage hedges that targeted the February 2020 contract given the larger premium of the February 2020 contract (i.e., FGU choose to sell the February 2020 contract instead of the prompt month contract because of the relative values.) During July, FGU repositioned some existing hedges (green circle) to target the prompt month NYMEX as the short contract given the reduced premium associated with the February 2020 contract (i.e., FGU sold the prompt month contract and bought back a like quantity of the February 2020, again because of the relative values of those contracts.) FGU will continued to monitor the forward NYMEX curve for any opportunities to reposition hedges between to the prompt-month NYMEX contract and the February 2020 contract based on the relative pricing between the two and FMPA's storage objectives.



FGT Zone 3 Cash Market vs NYMEX Prompt-Month Futures

Cash Market Spread to NYMEX Prompt-Month vs FMPA Storage Inventory Level



Summary of Existing Physical Inventory Position (7/31/2019)

Total Inventory Volume	Total Inventory Cost	Inventory WACOG	Market Value	Marked to Market	Unrealized Gain/(Loss)
379,748	$982,056	$2.59	$2.27	$860,319	($121,737)

Summary of Existing Financial and Forward Physical Risk Management Positions (7/31/2019)

Delivery Month	Net Position	Realized Gain/(Loss) to Date	Open Equity	Total Value
May-19	0	$23,568	$0	$23,568
Jun-19	0	($1,373)	$0	($1,373)
Jul-19	0	$19,603	$0	$19,603
Aug-19	0	$24,620	$0	$24,620
Sep-19	(157,500)	$0	($4,980)	($4,980)
Oct-19	0	$0	$0	$0
Nov-19	0	$0	$0	$0
Dec-19	0	$0	$0	$0
Jan-20	0	$0	$0	$0
Feb-20	(222,500)	$12,513	$46,875	$59,388
Mar-20	0	$0	$0	$0
Apr-20	0	$0	$0	$0
May-20	0	$0	$0	$0
Jun-20	0	$0	$0	$0
Jul-20	0	$0	$0	$0
Aug-20	0	$0	$0	$0
Sep-20	0	$0	$0	$0
Oct-20	0	$0	$0	$0
Nov-20	0	$0	$0	$0
Dec-20	0	$0	$0	$0
Jan-21	0	$0	$0	$0
Feb-21	0	$0	$0	$0
Mar-21	0	$0	$0	$0
Apr-21	0	$0	$0	$0

Summary of Historical Value - Physical and Financial (December 2009 through July 2019)

Optimization Activity	Net Position (Dths)	Total Realized Gain/(Loss)	Unrealized Gain/(Loss)	Total Storage Net Benefit
Current Physical/Financial Positions (7/31/2019)	-252	$2,777,515	($79,842)	$2,697,672
Fees & Commissions		($47,053)		$2,650,619
NJRES Capacity Release		$477,598		$3,128,217
Sale of Call Options (Jan 2015)		$26,000		$3,154,217

Schedule of FMPA Gas and Cash Flows Related to FGU Storage Services

Month	Actual Injection Cost/ NYMEX Curve (7/31/19)	Actual/ Anticipated Cash Flow ($)	Net Injection Volume (Dths)	Net Withdrawal Volume (Dths)	Running Inventory Balance at End of Month (Dths)	Running Inventory Cost Balance ($)	WACOG ($/Dth)
Apr-19	**$2.46**	**$295,171**	**119,795**	**0**	**254,264**	**$691,123**	**$2.7181**
May-19	**$0.00**	**$0**	**0**	**0**	**254,264**	**$691,123**	**$2.7181**
Jun-19	**$2.35**	**$86,815**	**36,927**	**0**	**291,191**	**$777,937**	**$2.6716**
Jul-19	**$2.30**	**$204,119**	**88,557**	**0**	**379,748**	**$982,056**	**$2.5861**
Aug-19	*$2.14*	*$0*	*0*	*0*	*379,748*	*$982,056*	*$2.5861*
Sep-19	*$2.23*	*$178,640*	*80,000*	*0*	*459,748*	*$1,160,696*	*$2.5246*
Oct-19	*$2.25*	*$45,000*	*20,000*	*0*	*479,748*	*$1,205,696*	*$2.5132*
Nov-19	*$2.33*	*$0*	*0*	*0*	*479,748*	*$1,205,696*	*$2.5132*
Dec-19	*$2.52*	*$0*	*0*	*0*	*479,748*	*$1,205,696*	*$2.5132*
Jan-20	*$2.64*	*($628,297)*	*0*	*250,000*	*229,748*	*$577,400*	*$2.5132*
Feb-20	*$2.61*	*($439,808)*	*0*	*175,000*	*54,748*	*$137,592*	*$2.5132*
Mar-20	*$2.53*	*$0*	*0*	*0*	*54,748*	*$137,592*	*$2.5132*
Apr-20	*$2.36*	*$0*	*0*	*0*	*54,748*	*$137,592*	*$2.5132*
May-20	*$2.34*	*$515,460*	*220,000*	*0*	*274,748*	*$653,052*	*$2.3769*
Jun-20	*$2.39*	*$0*	*0*	*0*	*274,748*	*$653,052*	*$2.3769*
Jul-20	*$2.44*	*$0*	*0*	*0*	*274,748*	*$653,052*	*$2.3769*
Aug-20	*$2.45*	*$0*	*0*	*0*	*274,748*	*$653,052*	*$2.3769*
Sep-20	*$2.43*	*$497,945*	*205,000*	*0*	*479,748*	*$1,150,997*	*$2.3992*
Oct-20	*$2.46*	*$0*	*0*	*0*	*479,748*	*$1,150,997*	*$2.3992*
Nov-20	*$2.53*	*$0*	*0*	*0*	*479,748*	*$1,150,997*	*$2.3992*
Dec-20	*$2.69*	*$0*	*0*	*0*	*479,748*	*$1,150,997*	*$2.3992*
Jan-21	*$2.80*	*($599,792)*	*0*	*250,000*	*229,748*	*$551,204*	*$2.3992*
Feb-21	*$2.77*	*($419,855)*	*0*	*175,000*	*54,748*	*$131,350*	*$2.3992*
Mar-21	*$2.65*	*$0*	*0*	*0*	*54,748*	*$131,350*	*$2.3992*
Apr-21	*$2.40*	*$0*	*0*	*0*	*54,748*	*$131,350*	*$2.3992*
May-21	*$2.38*	*$476,600*	*200,000*	*0*	*254,748*	*$607,950*	*$2.3865*
Jun-21	*$2.42*	*$0*	*0*	*0*	*254,748*	*$607,950*	*$2.3865*
Jul-21	*$2.45*	*$0*	*0*	*0*	*254,748*	*$607,950*	*$2.3865*

Winter months

Bold = actual data

- Negative values reflect withdrawals of storage gas that have already been paid for.
- Positive values reflect charges to FMPA for gas purchases to be injected into storage.
- Months above reflect the period of storage activity and the actual charge/credit from FGU would occur the following month.

AGENDA ITEM 10 – REPORTS

b. Risk Management Policies

Finance Committee Meeting
August 21, 2019

FLORIDA MUNICIPAL POWER AGENCY

RISK MANAGEMENT POLICY

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RISK MANAGEMENT POLICY
APPENDIX E

FLORIDA MUNICIPAL POWER AGENCY

CREDIT RISK MANAGEMENT POLICY

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CREDIT RISK MANAGEMENT POLICY
FLORIDA MUNICIPAL POWER AGENCY

This Credit Risk Management Policy (the "Policy") and any effective subordinate procedures establish the governance, framework, and the controls under which Florida Municipal Power Agency (FMPA) may extend credit to counterparties. This Policy is Appendix E of the FMPA Risk Management Policy.

1.0 Policy Statement

The Board of Directors and Executive Committee of FMPA recognize that FMPA is exposed to various risks in the normal course of business activities. There may be times when FMPA will determine that certain risks are above the preferred risk tolerance level of FMPA and its members. FMPA is hereby authorized to put mechanisms in place, such as those more fully described in this Policy, that will control, transfer or mitigate these risks so that, to the extent possible, there will not be an adverse effect on FMPA's ability to provide reliable, affordable power to its members.

It is the Policy of the Board of Directors and Executive Committee that:

- ❖ Authority is delegated to the Treasurer and Risk Director to create procedures to administer this Policy.
- ❖ This Policy shall apply only to those material transactions as defined herein or to transactions otherwise specified by the ~~AROC~~ Finance Committee (FC).
- ❖ Material transactions shall be transacted only with qualified counterparties.
- ❖ Counterparty transactions shall be approved by the appropriate body or bodies according to the approval threshold levels described herein.
- ❖ A list of active approved counterparty transactions shall accompany this Policy in Appendix A, and shall be updated as necessary.

- ❖ The Treasurer and Risk Director shall report deviations and other reports as required in this Policy to the FC.

This Policy serves as a framework that enables the Treasurer and Risk Director to minimize the financial impact of unfavorable outcomes of credit risks by establishing minimum standards to systematically identify potential exposure to credit risks and measure the possible impact of those risks.

2.0 Scope and Authority

This Policy applies to all material counterparty transactions (as defined in 2.2 below) in which FMPA extends credit to a counterparty. For this Policy "extends credit" is defined as any agreement where repayment or satisfaction to FMPA of a debt and/or claim to goods and services is deferred to some future date. Material transactions may include, but are not limited to, contracts, reoccurring vendors, purchase power agreements, construction vendors and limited use vendors.

2.1 Authority: The Board of Directors' and Executive Committee's authority to create this Policy is derived from the Interlocal Agreement establishing FMPA. The Board of Directors and Executive Committee have delegated authority to the Team (Treasurer and Risk Director and assigned staff (T&RD), as the operational arm of the FC, to administer this Policy. The ~~RMT~~T&RD may deviate from this Policy when deemed necessary but the Treasurer and Risk Director must report all deviations to the FC within 5 business days.

2.2 Materiality: For this Policy, materiality is defined as any transaction(s) involving a single counterparty where the present value of financial loss potential resulting from the counterparty's non-performance exceeds ~~$10,000,000~~$5,000,000. All transactions for a single counterparty shall be included in the calculation of financial loss potential. The ~~RMT~~T&RD has authority to determine that specific transactions which are less than the materiality threshold but are determined to represent a significant credit risk to the Agency will be governed by this Policy, on a case-by-case basis.

3.0 Types of Credit Risk

This Policy establishes minimum standards to support an Agency-wide atmosphere of proper control levels to safeguard the Agency's ability to provide reliable affordable power to its Members. The Treasurer and Risk Director shall cause procedures to be written that identify the credit risks noted below and provide ways to measure, control, and mitigate FMPA's exposure to those risks. While not intended to be a comprehensive listing of risk encountered by FMPA during the normal course of the business cycle, the following provides insight into FMPA's credit risk exposure.

3.1 Counterparty Risk: The risk that a counterparty will fail to deliver on an obligation. An example of counterparty risk might occur if a Member defaulted on a financial obligation due to FMPA under the terms of a power supply contract. This default would expose FMPA to potential financial loss as well as strategic and reputation risk. The level of concentration of the counterparty in the overall transaction portfolio can compound counterparty risk.

3.2 Transaction Risk: The inherent risk in all transactions that fraud, error, or changes to law, regulation or custom will place the expected performance of the transaction in jeopardy. Transaction risks generally increase as the time between entering into a contract and the delivery of goods and/or services increases. An example of transaction risk might occur if FMPA entered into a prepaid contract with a counterparty for future delivery of natural gas. If the

Internal Revenue Service reinterprets their ruling on the legality of such transactions, the prepaid contract may become void and unenforceable. FMPA would then be exposed to the current market price of natural gas, which may or may not be favorable at the time of the non-performance. Again, the level of concentration of the counterparty can compound this transaction risk.

4.0 Evaluation and Approval of Counterparty Transactions

Managers are responsible for nominating counterparty transactions to the ~~RMT~~T&RD for evaluation. Upon nomination, ~~Risk Management~~T&RD ~~staff~~ shall calculate the present value of financial loss potential. Transactions determined to be below the materiality threshold are not subject to this Policy. For material transactions, ~~Risk Management staff~~ T&RD shall conduct a counterparty credit evaluation and report the results to the nominating manager. The nominating manager shall then submit a formal written plan for managing the identified credit risks to the ~~RMT~~T&RD. Some tools may be but not limited to for mitigating credit risk are Letter of Credit, deposit, parent company guarantees and netting transactions. The ~~Treasurer and Risk Director~~ T&RD shall cause to be established Credit Risk P~~roe~~rocedures to facilitate the completion of the financial loss potential calculation and the credit evaluation.

4.1 Approval Thresholds: The following credit risk management approval thresholds apply to material counterparty transactions:

Present Value of Financial Loss Potential	Authority to Approve Credit
$~~10~~5 million - $10~~50~~ million	T&RD and nominating manager~~Risk Management Team~~
$~~50~~10 million - $5~~10~~0 million	Finance Committee
Greater than $~~10~~50 million	Governing Body (BOD/EC)

All material counterparty transactions and the accompanying credit risk management plan must be presented to the ~~RMT~~T&RD for approval. Upon ~~RMT~~T&RD approval, transactions greater than $1~~5~~0 million shall be forwarded to the FC for approval of the credit risk management plan. Upon FC approval, transactions greater than $~~10~~50 million shall be forwarded to the appropriate governing body for approval of the credit risk management plan. The approvals prescribed here address the credit risk management plan for a counterparty transaction; all transactions are also subject to any applicable FMPA Policies on spending authorities or purchasing requirements.

4.2 Counterparty Transaction List: The Treasurer and Risk Director shall cause to be maintained a list of counterparty transactions that have been approved as described in Section 4.0 and are therefore subject to ongoing credit reviews. The Active Counterparty Transaction List is shown in Appendix A of this Policy. Appendix A shall be updated as necessary to reflect changes in active counterparty transactions and approvals by the ~~RMT~~T&RD, FC, Executive Committee and Board of Directors and is therefore exempt from Section 6.0 of the FMPA Risk Management Policy requiring Board of Director and Executive Committee approval for changes.

5.0 Reporting

The Treasurer and Risk Director shall cause a credit file to be maintained for each approved material counterparty transaction. The Treasurer and Risk Director shall cause each such file to be ~~continuously monitored, and a formal~~ reviewed ~~conducted every six months~~annually. This formal review shall include an analysis of credit extended and current credit balance to determine any credit limit overage. Any credit limit overage shall be documented in the counterparty's credit file and reported to the ~~ROC~~FC within 5 business days. The Treasurer and Risk Director shall cause any other significant changes to the credit file to be reported to the FC as needed.

The Treasurer and Risk Director shall cause any deviations from this Policy to be reported according to the guidelines set forth in Section 4.1 of the FMPA Risk Management Policy. An annual report on the operation and effectiveness of this Policy shall be completed by the ~~AROC~~ FC as described in Section 7.0 of the FMPA Risk Management Policy. Managers shall report as needed on the current risk environment affecting a proposed or current counterparty to the ~~RMT~~T&RD, and engage any necessary discussion before moving related items to the ~~AROC~~ FC.

ACTIVE COUNTERPARTY TRANSACTIONS LIST

This list contains the material counterparty transactions approved by the Team, Executive Committee or Board of Directors on or after the effective date of this Policy. These active counterparty transactions have a credit file and are subject to ongoing credit review.

AEGIS
Bank of America
~~Bank of New York~~
~~Credit Agricole~~
~~Citicorp~~
~~Dexia~~
~~Energy Mutual Insurance~~
~~Florida Gas Transmission~~
~~Florida Gas Utility~~
Florida Power and Light
FM Global
Goldman Sachs
~~Hartford~~

~~JP Morgan Chase~~
~~JP Morgan Ventures Energy~~
Lakeland Electric
Morgan Stanley
Orlando Utilities Commission
~~Quincy, City of~~
~~SG Resources Mississippi, LLC~~
~~Southern Company – Florida, LLC~~
SunTrust
~~Tampa Electric Company (Peoples Gas)~~
~~The Energy Authority~~
~~Transco~~
~~UBS~~
Wells Fargo

Updated ~~August 19, 2011~~07/15/2019

Florida Municipal Power Agency
Risk Management Reporting Calendar
Credit Risk Reporting Requirements

Reporting Item	Frequency of Report	Responsible Party	Policy Reference	Link to Policy Reference
Counterparty Evaluation	As needed	Treasurer and Risk Director	Section 4.0	Evaluation and Approval of Counterparty Transactions
Credit File Review	Every 6 months	Treasurer and Risk Director	Section 5.0	Reporting
Credit Limit Overages	As needed	Treasurer and Risk Director	Section 5.0	Reporting
Deviations from Policy	As needed	Treasurer and Risk Director	Section 5.0	Reporting
Policy Operation & Effectiveness	Annually	Finance Committee	Section 5.0	Reporting

RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY

This Risk Management Policy (the "Policy") and subordinate policies and procedures establish the governance, framework, and controls under which Florida Municipal Power Agency ("FMPA") engages in enterprise risk management.

1.0 Policy Statement

Enterprise risk management utilizes the Agency's organizational structure, procedures, processes, and resources to identify, measure, monitor and report risks. As a result of these efforts the Agency will manage risk by choosing to eliminate, transfer, reduce, or accept some or all of each identified risk. The Executive Committee (EC) and Board of Directors (BOD) of FMPA recognize that FMPA is exposed to various risks in the normal course of business activities. It is the objective of this Risk Management Policy to formalize the enterprise risk management process so that financial and strategic impacts of unfavorable outcomes are minimized.

The following summarizes the Policy of the EC and BOD:

- ❖ The Finance Committee (FC) is authorized to oversee the administration of this Policy as detailed in Section 4.1.
- ❖ As detailed in Section 4.3, the Risk Management Team (Treasurer and Risk Director, along with designated staff) shall function as the operational arm of the FC to identify, measure, monitor and report on FMPA's business risks
- ❖ The Treasurer and Risk Director is designated the Agency Risk Manager, and shall cause risks to be reported to the FC as described in Section 4.3.
- ❖ Each defined Agency activity will have separately approved risk management policy as an Appendix to this Policy as listed in Section 5.0.
- ❖ This Policy and all Appendices shall consider the credit rating implications of risk management actions as described in Section 5.0

- ❖ The Internal Audit Manager must provide or cause to be provided written risk assessments to the FC at least annually as detailed in Section 7.0.

2.0 Types of Risk

This Policy establishes minimum standards for risk awareness and enterprise risk management to minimize unfavorable outcomes of risk. While not intended to be a comprehensive listing of risks encountered by FMPA during the normal course of the business cycle, the following provides definitions for major categories of risk exposures at FMPA, as established by the 2004 Deloitte & Touche risk assessment. Each Policy Appendix further describes these risks as applicable to specific Agency functions.

2.1 Operational Risk:

The potential economic loss caused by ineffectiveness, inefficiency or loss of power generation, transmission or fuel supply facilities or assets.

2.2 Market Risk:

The risk of potential change in the value of an asset caused by adverse changes in market factors.

2.3 Environmental Risk:

The potential environmental impact associated with a failure to comply with federal and state environmental regulations

2.4 Volumetric Risk:

The potential adverse impact of unanticipated changes in supply or demand of resources and/or obligations.

2.5 Regulatory Risk:

The potential adverse impact of an action or direction from a regulatory body such as, but not limited to, FERC, EPA, DOE, or IRS.

2.6 Strategic Risk:

The risk that the policies and actions of a governing body or management do not promote the successful attainment of strategic goals and objectives.

2.7 Legal Risk:

The potential financial losses incurred through an unauthorized deviation from any legal commitments under local, state, federal law or contracts.

2.8 Reputational Risk:

The potential losses incurred when stakeholders or the public negatively perceive an organization.

2.9 Credit Risk:

The potential of financial losses due to the failure of counterparties to fulfill the terms of a contract on a timely basis, or adverse changes to credit ratings of an organization.

2.10 Administrative Risk:

The potential of financial loss due to deficiencies in internal control structure and management reporting due to human error, fraud or a system failure.

3.0 Enterprise Risk Management Program

This Policy applies to all business activities of the Agency. FMPA has established the following four components for its enterprise risk management program.

3.1 Governance:

Strong organizational governance paths, from employee to governing body, back to employee, are essential for facilitating risk communication up and down the Agency. See Section 4.0 for further details on FMPA's risk management governance structure.

3.2 Internal Control:

Internal control is the system of processes and people designed to provide reasonable assurance that the Agency is able to meet its strategic goals. See Sections 4.0, 5.0 and all Policy Appendices for further details on FMPA's internal control system.

3.3 Risk Framework:

The risk framework of the Agency provides the general structure of the enterprise risk management program. FMPA's risk framework components address the following:

- Risk appetite for each risk category
- Risk tolerances within risk appetite
- Risk aware culture
- Risk metrics
- Risk policies

See Sections 4.0 and 5.0 for further details on specific risk management activities and risk assessment.

3.4 Monitoring and Reporting:

The enterprise risk management program of the Agency must be monitored and reported on so that staff and governing bodies can make decisions inclusive of current and emerging risks. The Agency has established a Risk Management Team (RMT) to facilitate risk monitoring and reporting. See Sections 4.3 and 7.0 for further details on risk monitoring and reporting for the Agency

4.0 Risk Management Governance:

The Agency's enterprise risk management program begins with recognition of the parties (~~Agency Risk Manager, RMT, Internal Audit Manager and staff,~~ employees and governing bodies) with responsibilities under this Policy. The risk management governance structure includes the key elements outlined below:

- Segregation of duties among the parties in the enterprise risk management program.
- Independence of the Agency Risk Manager such that risk and control information flows without restriction or bias due to self-interest.
- All FMPA staff are required to work in cooperation with the RMT to facilitate risk management processes.
- ~~The Agency Risk Manager shall coordinate periodic reviews of the enterprise risk management program conducted by an independent, external party with expertise in risk management. The Agency Risk Manager shall include such a review in the budget process at least every five years.~~

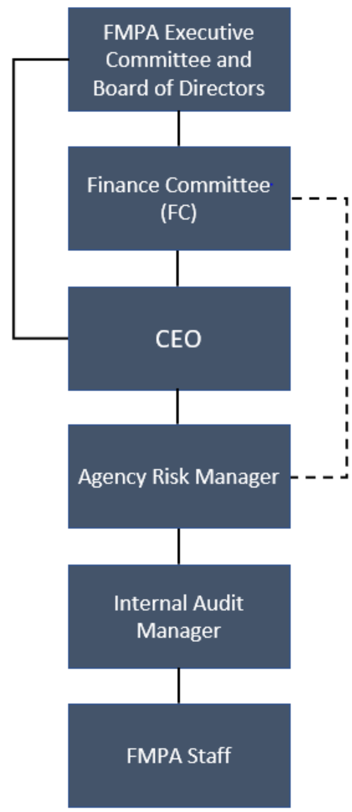
4.1 Oversight Structure- Finance Committee:

Members are appointed to the FC according to the Committee Charter. The FC shall oversee the administration of this Policy and any subsequent procedures relating to Agency risk management activities.

This Policy and all included appendices shall be reviewed on at least an annual basis by the Internal Audit Department. Completed policy compliance reviews shall be reported to the FC. The Agency Risk Manager will from time to time report to the FC on Agency risks as described in Section 2.0.

The Agency Risk Manager may use discretion to report Policy violations directly to the General Manager and/or the FC as deemed necessary. The FC shall advise the Agency Risk Manager and the General Manager on desired next steps for addressing the Policy violation.

4.2 Organizational Structure for Risk Control



4.3 Delegation of Authority:

It is recognized that there are times when a member of the FMPA management team may be absent for some period of time. Through the use of FMPA's "Delegation of Authority" form, any management team member can designate a direct report to fulfill all of their respective organizational responsibilities during their absence, without limitation.

If a member of the management team has failed to delegate their authority, the manager to whom the member reports has the expanded authority to either assume that member's organizational responsibilities or to delegate such to a subordinate of the member. Upon such action, any and all rights provided by the "Delegation of

Authority" form will be authorized as if the form had been completed prior to their absence.

4.4 Risk Management Team:

The RMT is the operational arm of the FC. The mission of the RMT is to facilitate the effective identification, monitoring and reporting of the Agency's risks in support of achieving the goals of the Agency and all of the Agency's Projects, in accordance with this Policy. The RMT is responsible for facilitating an enterprise risk management culture and fulfilling compliance and reporting roles as appropriate. It remains the responsibility of the ~~General Manager~~CEO and governing bodies to set risk appetites and tolerances and to establish risk management strategies.

The Treasurer and Risk Director is designated FMPA's Agency Risk Manager, and is responsible for causing FMPA's risk exposures to be prioritized and reported to the FC. Risks are prioritized by the RMT using the Agency's risk framework for level of severity, likelihood of occurrence, and quality of controls, as well as the judgment of the Agency Risk Manager.

5.0 Risk Management Strategies:

The Agency is subject to numerous risks. These risks can arise from actions taken (or not taken) by Agency staff, parties external to the Agency and from "acts of God." The following Agency activities shall have risk management policies approved by the FC and appropriate governing body, consistent with this Policy and included as Appendices to it.

Natural Gas and Fuel Oil Management	Appendix A
Debt Management Investment	Appendix B
Investment Management	Appendix C
Insurance Program Management	Appendix D
Credit Risk Management	Appendix E
Contract Administration	Appendix F
Statutory and Regulatory Matters	Appendix G
Power Supply and Resource Planning	Appendix H

Asset Management and Operations	Appendix I
Accounting and Internal Controls	Appendix J
Origination Transaction Management	Appendix K
Records Management	Appendix L
Contingency Planning	Appendix M
Human Resource Management	Appendix N
Information Technology	Appendix O

6.0 Risk Assessment and Evaluation

Section 2.0 of this Policy establishes FMPA's risk categories to assist with identifying critical risk factors during decision-making. These risk categories will be used in the process of assessing risk and to facilitate independent measurement of risk by providing common understanding of risks.

When deciding between two or more competing alternate courses, each course of action or decision should be evaluated using the risk framework (Section 3.3). Components of the Agency's risk framework shall be used as a reference for risk assessments presented to the FC and governing bodies. Specific risk assessment and evaluation criteria are established in each of the Policy Appendices.

7.0 Review and Revisions to Policy

The FC is granted authority by the Board of Directors and Executive Committee of FMPA to oversee this Policy. The FC directs the Internal Audit Manager to cause a review of the operation and effectiveness of this Policy through risk assessment reports. The Internal Audit Manager shall present or cause to be presented a written risk assessment report to the FC for approval at least annually. The risk assessment report shall include a synopsis of the current state of the enterprise risk management program.

Based on the findings of each risk assessment report, the FC may make recommendations regarding risk management processes to the CEO and Internal Audit Manager, and if appropriate, recommend a course of action promoting changes to this Policy to the Board of Directors and/or Executive Committee. This Policy may be changed only with approval of the appropriate governing body.

The appropriate governing bodies may, as business needs arise, approve changes to this Policy outside of the annual review process described above.

FLORIDA MUNICIPAL POWER AGENCY

RISK MANAGEMENT POLICY - APPENDIX C

INVESTMENT RISK MANAGEMENT POLICY

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INVESTMENT RISK MANAGEMENT POLICY FOR FLORIDA MUNICIPAL POWER AGENCY

This Investment Risk Management Policy (the "Policy") and any effective subordinate procedures establish the governance, framework and the controls under which Florida Municipal Power Agency (FMPA) may engage in activities to identify, measure and minimize future business risk resulting from the investment and management of FMPA's financial assets. This Policy is Appendix C of the FMPA Risk Management Policy.

1.0 Policy Statement

The Executive Committee (EC) and Board of Directors (BOD) of FMPA recognize that FMPA is exposed to various risks in the normal course of business activities. There may be times when FMPA will determine that certain risks are above the preferred risk tolerance level of FMPA and its members. FMPA is hereby authorized to put mechanisms into place, such as those more fully described in Sections 3.0 and 4.0 of this Policy, which will control, transfer, or mitigate these risks to avert an adverse effect on FMPA's ability to invest funds of the Agency and its Projects in a manner that will balance investment return with principal security, such that FMPA will meet the daily and long term cash flow demands of the Agency and its Projects.

It is the Policy of the EC and BOD that:

- ❖ The investment program shall conform to all federal, state, and local legal requirements.
- ❖ Authority is delegated to the Chief Financial Officer (CFO) to create procedures to administer this Policy.
- ❖ The preservation of capital is the foremost objective of the risk-considered investment practice strategies.
- ❖ Investments using derivatives is prohibited unless specifically approved by the EC or BOD.
- ❖ The CFO shall establish benchmarks against which portfolio performance shall be compared regularly.

- ❖ Authority is delegated to the CFO to establish a system of written internal controls to regulate investment activities.
- ❖ The Treasurer and Risk Director and Risk Director shall provide investment reports for each regular meeting of the EC and BOD.
- ❖ Deviations from this Policy shall be reported to the Finance Committee (FC).

This Policy is created to ensure the prudent management of the Agency's and its Projects' funds, and the availability of operating funds, bond proceeds and capital funds as needed. This Policy is applied individually to each Project, not in any combination of Projects. This Policy applies to all monetary assets of the Agency and all Projects with the exception of employee deferred contribution funds. The Agency's employees' employee deferred contribution funds are placed with a third party administrator and are self-managed by the employees.

The standard of prudence to be used by FMPA investment staff shall be the "prudent person" rule as defined in Florida Statute 218.415: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment."

2.0 Scope

Investments purchased by the Agency shall conform to all federal, state, and local legal requirements governing the investment of Public Funds, including all bond resolutions and ordinances adopted by the EC or BOD. Responsibility for investment decisions, including day-to-day transactions undertaken, is hereby delegated to the Treasurer and Risk Director or designated Treasury staff, under the direction of the CFO. No person may engage in an investment transaction except as provided under the terms of this Policy.

Positions authorized as investment signatories are: FMPA's General Manager and CEO, CFO, Chief Operating Officer-Power Resources, and Executive Officer Public Relations and Human Resources. FMPA may appoint an outside investment manager as "Agent" for the

Agency's cash and investment reserves. The outside investment manager must meet the requirements detailed in the Investment Procedures.

3.0 Types of Investment Risk

This Policy is intended to define responsibility, clarify investment goals, establish strategies, achieve stated goals and set up the method of evaluation and control of all investment operations. The CFO will cause Investment Procedures to be written that identify risks in the areas noted below and provide ways to measure, control and mitigate FMPA's exposure to those risks. While not intended to be a comprehensive listing of risks encountered by FMPA during the normal course of the business cycle, the following provides insight into the major areas of investment risk exposure for FMPA

3.1 Credit Risk:

The risk that a change in the credit quality of an institution will affect the value of a security or portfolio. An example of credit risk might occur if the issuer of a bond that FMPA has purchased as an investment defaults on its obligations, causing the loss of some or all of the investment value. Such risks can be reduced by diversifying securities and maturities.

3.2 Liquidity Risk:

The risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. Some investments are highly liquid and have low liquidity risk (such as money market funds) while other investments are highly illiquid and have high liquidity risk (such as real estate). An example of liquidity risk might occur if FMPA attempted to convert an investment into cash for operating needs, but was unable to do so due to the illiquid nature of the security. Such risk can be reduced by selecting investments with the liquidity to meet FMPA's cash flow needs.

4.0 Investment Objectives

Investment selections should balance the primary objectives of FMPA's investment program. In priority order, the objectives are

4.1 Safety:

Preservation of capital in the overall portfolio is the highest of the risk based investment practice objectives. To attain this objective, investment securities shall be selected from those deemed authorized and suitable as described in Section 5.0 of this Policy. Speculative strategies shall not be undertaken. Management defines speculation as the process of selecting investments in an attempt to profit from fluctuations in prices.

4.2 Liquidity:

The portfolio should be structured so that securities mature concurrent with cash needs to meet anticipated demands. Investments considered to be liquid are those held until maturity where maturity is less than 3 months. A sufficient level of liquidity must be maintained to meet the next thirty days of expected operating expenses and other disbursements, plus an extra, reasonable amount to meet unusual and unexpected needs.

4.3 Return:

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and the cash flow characteristics of the portfolio. Funds should be invested in high credit quality investment instruments (as allowed by Project Bond Resolutions and summarized in Appendix A) in anticipation of achieving a fair return. The methods used in selecting investments should balance market, credit, and liquidity risks.

5.0 Authorized and Suitable Investment Securities

FMPA is empowered by Ordinance 87-1, as amended, to invest in the types of securities listed in Appendix A for the Agency and its Projects. FMPA may swap securities for other securities to improve yield, maturity or reduce credit risk. Investment in securities that "derive" their value through financially engineered derivative indices or are highly interest rate sensitive are not permissible unless specifically recommended in writing and approved by the EC or BOD. FMPA will not allow leveraging (the borrowing of funds for the expressed purpose of reinvesting those funds), or invest in securities with a rating below that required in Appendix A at time of purchase. The Treasurer and Risk Director must report on a monthly basis any security whose rating has fallen below the rating level identified in Appendix A after purchase and submit a rationale for maintaining such security if it has not been sold

5.1 Authorized Financial Institutions, Depositories, and Broker/Dealers:

The Treasurer and Risk Director will cause to be maintained a list of financial institutions and depositories that meet the qualifications detailed in the Investment Procedures and are authorized to provide investment services. An annual (each fiscal year) review of the ratings from national rating agencies and financial condition of all qualified financial institutions and broker/dealers will be conducted in accordance with Investment Procedures.

5.2 Method of Selection:

FMPA shall select securities which provide the highest rate of return within the risk parameters of this policy, given the current objectives, diversification, cash flow needs, and maturity requirements. Selection of securities shall be made using either competitive bids, wherein FMPA solicits proposals from at least three firms; or comparison to the current market price as indicated by one of the market pricing resources available, including but not limited to Bloomberg. Records will be kept of the bids or offers, the bids or offers accepted and if necessary a brief explanation of the decision which was made regarding the investment.

5.3 Maximum Maturities:

The funds of Agency and Project Operating accounts are invested to achieve a market rate of return while meeting the Agency's and its Projects' cash flow needs. FMPA will match investment maturities with known cash needs and anticipated cash flow requirements, not to exceed maximum maturity requirements.

Unless matched to a specific cash flow, FMPA shall invest securities maturing in accordance to Appendix B and the following.

Fund/Account	Invested to Mature as Shown
Operations and Maintenance Fund	
1. Operations and Maintenance Account	Within 12 months from investment date. (Depends on cash flow needs)
2. Working Capital Account	Within 5 years.
3. Rate Stabilization Account	Within 5 years.
Debt Service Fund	
1. Debt Service Account	Not later than when needed for payment to be made from such Account.
2. Debt Service Reserve	Not later than the final maturity date of any Bonds that are outstanding.
3. Subordinated Debt Fund	Not later than when needed for payment to be made from such Account.
Construction Fund or Proceeds Fund	Not later than when needed for payments to be made from such fund.
Reserve and Contingency Fund	
1. Contingency Account	Within 5 years.
2. Renewal and Replacement	Within 5 years.
General Reserve Fund	
1. General Reserve Account	Within 5 years or when needed to make payments.
Decommissioning	Not later than when needed. (Applicable only to St. Lucie)

5.4 Collateralization:

Collateralization, as detailed in the Investment Procedures, may be required for investments such as repurchase agreements and any approved investment agreement contract or agreement.

5.5 Diversification:

FMPA must diversify to avoid incurring unreasonable risks associated with over-investing in specific investments, individual financial institutions, maturities and in the future by geographic area or by any other reasonably determinable characteristic. Compliance with the specific diversification requirements shown in the chart below will be measured using market value at the time of purchase and monthly thereafter. In the event that a particular category exceeds the scheduled maximum percentage by 10% (for example, if Repurchase Agreements exceed 22%) for two consecutive months, the Treasurer and Risk Director must report such deviation and submit for approval a strategy for handling each such deviation. For risks potentially resulting from investments with high concentrations of other characteristics not itemized in the chart above, the Treasurer and Risk Director should bring these investments to the attention of the CFO for review. If the concentration risk is deemed significant enough by any one of the three noted here, the CFO must bring this concentration concern to the FC.

Diversification by Investment Type:	**Percentage at time of purchase:**
US Treasury Obligations	100%
Municipal Bonds (including FSA/FDA)[1]	100%
US Gov. Agency and US Gov. Sponsored Instrumentality	100%
Banker's Acceptances	50%
Commercial Paper	50%
Corporate Bonds and Notes (A or above)	2~~1~~0%
Florida Local Government Surplus Fund Trust Fund (SBA)	50%
Local Government Investment Pools	25%
Collateralized CDs and Time Deposits	25%
Money Market Mutual Funds	25%
Repurchase Agreements	20%
Guaranteed Investment Contracts (GICs)	15%*
Or as approved by the EC or BOD	

(1) Beginning with Version 5 of the Investment Policy, at time of purchase and measured monthly thereafter no more than 25% of total investments, exclusive of the FSA and FDA investments, can be from the same state, regardless of bond structure. Current investment portfolio, at adoption of this Policy revision is grandfathered; Treasury is not required to sell current portfolio to get to 25%., but cannot acquire more, if current portfolio is already to the 25% limit.

Diversification by Institution:	Percentage at time of purchase:
Money Market Mutual Fund	25%
US Gov. Agency by Agency	25%
Municipal Bonds by Issuer	20%
Commercial Banks (CDs, Time Deposits, or Commercial Paper)	10%
Bankers' Acceptance by Bank	10%
Corporate Notes	10%

Diversification by Geographic Location:	Percentage of Portfolio
Within individual state	Not more than 25%
The limitation of investments within a state prior to May 21, 2015 was limited to 50%. The contents of any investment portfolio prior to this date is grandfathered and do not require adjustments to meet the current Policy limit of 25%. Any FSA and FDA investment is exempted from the 25% limitation.	

5.5.1 Exceptions:

Diversification percentages can be exceeded by approval from the EC / BOD.

~~5.6 Brokerage Accounts Equity Balance:~~

~~To maximize interest earning inflows, excess equity above the required margins or minimum balance in the FMPA chosen brokerage futures account can be invested in securities as allowed in Appendix A of this policy. Excess equity funds can be transferred out of the brokerage futures account only upon the approval of the CFO or designee.~~

6.0 Custody

All investment security transactions, including collateral for repurchase agreements, entered into by FMPA shall be settled on a delivery versus payment (DVP) basis. Securities will be held by a third party Custodian or Trustee designated by the CFO and evidenced by trade confirmations and bank statements.

All securities purchased by FMPA will be properly designated as an asset of the Agency or its Projects and held by a third party Custodial or Trustee institution. The Custodial or

Trustee institution shall annually (each fiscal year) provide a copy of their most recent report on internal controls (Statement on Standards for Attestation Engagements No. 16 (SSAE 16)). The Treasurer and Risk Director or designated Treasury Staff will provide this report, upon receipt, to the CFO.

7.0 Benchmarking Performance

The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates, taking into account investment risk constraints and cash flow needs. The CFO shall cause to be established a series of appropriate benchmarks against which portfolio performance shall be compared on a regular basis. Guidelines on selecting and managing benchmarks, which may include the use of duration and convexity as performance measurement tools, are contained in the Investment Procedures.

Any external investment managers, if hired, shall not independently select benchmarks. All benchmarks used by external investment managers must be approved by the CFO. Specific description and the source, including date of such benchmarks, should be provided in any external investment manager's performance report along with the exact methodology used in calculating the yields/returns on the portfolio and the benchmark.

8.0 Internal Controls and Ethics

The CFO shall cause to be established a system of written internal controls to regulate investment and related activities, consistent with this Policy and Investment Procedures, and in accordance with all policies and procedural guidelines established in the FMPA Risk Management Policy. The controls shall be designed to meet the requirements as listed in Florida State Statute Section 218. As part of the year-end audit, the external auditors will be required to state whether the Agency has complied with Florida State Statute Section 218.415, regarding the investment of public funds.

The CFO and the Treasurer and Risk Director, or their designees, may do placement of funds. Accounting staff will not have any responsibility for investing funds. Further internal controls are established in the Investment Procedures to address safekeeping, repurchase agreement, collateral/depository agreements, banking service contracts, delivery vs. payment procedures, and separation of transaction authority from accounting and record-keeping, and may include security controls contained within Treasury software programs.

The Agency Risk Manager shall be responsible to review all documented internal controls and procedures established to ensure they comply with the FMPA Risk Management Policy and adequately mitigate all applicable risks. If, after review, the Agency Risk Manager identifies areas of concern, the documented internal controls weakness(s) will be communicated to the CFO and FC as appropriate.

8.1 Policy and Procedure Compliance

Risk Management staff shall ensure that compliance with this Policy and the Investment Procedures are monitored on an ongoing basis. Any unresolved compliance issues will be presented to the FC by the Agency Risk Manager at the next regularly scheduled meeting.

8.2 External Parties

All dealers, financial institutions, investment managers, or individuals, collectively referred to as the parties, investing on behalf of FMPA will be sent a copy of the Investment Policy by the Treasurer and Risk Director, along with a list of employees who are authorized to transact investment trades on behalf of FMPA. These parties will be required to respond, in writing, that the Policy was received, read, understood and will commit to adhere to the Policy. FMPA will pursue full recovery of all associated costs resulting from deviations from the Investment Policy.

8.3 Continuing Education

The CFO, Treasurer and Risk Director and other appropriate investment staff will be required to complete annually (each fiscal year) a minimum of 8 hours of continuing professional education (CPE's), or more as ~~as~~ required by State Regulations, in subject courses of study related to investment practices and products.

9.0 Reporting

The Treasurer and Risk Director will produce investment reports in accordance with Investment Procedures and provide these reports to the General Manager and the CFO as and when requested, but for no less than each meeting of the EC and/or BOD.

The CFO shall cause any deviations from this Policy to be reported according to the guidelines set forth in Section 4.1 of the FMPA Risk Management Policy. An annual report on the operation and effectiveness of this Policy shall be completed by the FC as described in Section 7.0 of the FMPA Risk Management Policy. The Treasurer and Risk Director shall report on the current risk environment affecting FMPA's investment program to the CFO as needed, and initiate and/or participate in any necessary discussion prior to moving items to the FC.

(See Also Glossary of Terms in FMPA's Risk Management Policy)

ACCRUED INTEREST: The interest to be paid on a security from the last interest accrual date to the settlement date. The buyer of the security pays the market price plus accrued interest. Also called "Purchased Interest".

AGENCY: Florida Municipal Power Agency.

AGENCY SECURITIES: Corporations, such as GNMA, FNMA or FHLMC, which have varying degrees of federal sponsorship and/or regulatory oversight.

ANNUAL AUDIT: The official audit report for FMPA. It includes combined statements for each individual fund and account group prepared in conformity with GAAP.

BASIS POINT: One one-hundredth of a percent (0.01 %).

BOND RATINGS: Evaluations by independent services such as Moody's, Fitch, or Standard & Poor's of a bond's investment quality and credit worthiness.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit, or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

CONVEXITY: A volatility measure, used in conjunction with duration, of how the price of a bond changes as interest rates change.

CORPORATE BONDS and NOTES: Public or private corporations and organizations issue corporate bonds and notes for the purpose of funding capital improvements, expansions, acquisitions or debt refinancing. Investors essentially are lending money to the issuer.

COUPON RATE: The amount of interest return based upon par value which the issuer agrees to pay the bondholder.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer (unsecured, no liens or pledges on specific assets).

DELIVERY VERSUS PAYMENT: Delivery versus payment is delivery of securities with an exchange of money for the securities.

DELIVERY VERSUS RECEIPT: **(Also called free).** Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value; e.g. U. S. Treasury bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

DON'T KNOW (DK): A term designating the lack of knowledge of a delivery in a securities transaction.

DURATION: The weighted average time to the receipt of value of the future cash flows of a security weighted by the present value of each of the cash flows in the series. Duration is used as a measure of the relative sensitivity of the price of the security to a change in market required yield.

FACE VALUE: The dollar amount the issuer promises to pay the bondholder at maturity. Also called par value.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to $100,000 per deposit.

FEDERAL FUNDS RATE: The rate of interest at which Federal funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): The institutions that regulate and lend to savings and loan associations. The FHLB play a role analogous to that played by the Federal Reserve Banks vis-à-vis member commercial banks.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing & Urban Development, H.U.D. It is the largest single provider of residential mortgage funds in the United States. FNMA is a private stockholder owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans in addition to fixed rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM ("FED"): The Central Bank of the United States created by Congress and composed of the presidentially appointed Board of Governors in Washington, D.C., the Federal Open Market Committee, 12 Regional Federal Reserve Banks, numerous private U.S. member banks, and various advisory councils.

FORWARD DELIVERY AGREEMENT (FDA) and FORWARD SALE AGREEMENT (FSA): See "Forward Contracts" in Agency-wide Risk Management Policy Glossary.

FREE DELIVERY: See "Delivery versus Receipt".

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by FHA, VA or FMHM mortgages. The term "pass-through" is often used to describe Ginnie Mae.

GOVERNMENT SECURITIES: Securities that qualify under government securities are issued or guaranteed by more than 15 different entities/agencies of the U.S. government and corporations created by acts of Congress. Some are backed by the full faith and credit of the U.S. and some are not. The direct and guaranteed obligations of the U.S. government, where the securities are backed by the full faith and credits of the U.S., are considered AAA rated. A comprehensive listing of qualified investments for AAA financing is provided in Appendix A.

INTERNAL RATE OF RETURN (IRR): The discount rate that makes the present value (sum of the discounted values) of a cash flow of an instrument equal to the price of the instrument.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase--reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date a security comes due and fully payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

MUNICIPAL BOND: A bond issued by a political unit, such as a state, county, city, town, or village or a political unit's agencies or authorities. In general, interest paid on municipal bonds is exempt from federal income taxes and state and local income taxes within the state of issue.

NASD: National Association of Securities Dealers.

NEW HOUSING AUTHORITY BONDS: A bond issue by a local public housing authority to finance public housing secured by U.S. Government assistance agreements which guarantees full payment of interest and principal. Also called Public Housing Authority Bonds (PHA's).

OPEN MARKET OPERATIONS: Purchases and sales of government securities and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve’s most important and flexible monetary policy tool.

PAR VALUE: See "Face Value".

PAYMENT DATE: The date at which the interest on a bond is due.

PORTFOLIO: Collection of securities held by an investor.

PROJECTS: St Lucie, Stanton, All-Requirements, Tri-City, Stanton II

PRIMARY DEALER: A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the state- the so-called legal list. In other states the trustee may invest in a security if it is one that would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state which has segregated eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

REPURCHASE AGREEMENT (RP OR REPO): An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement by the first party to repurchase the securities at a specified price from the second party on a specified later date.

RIDING THE YIELD CURVE: Buying long-term bonds in anticipation of capital gains as yields fall with the declining maturity of the bonds.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SEC RULE 15C3-1: See "Uniform Net Capital Rule".

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES ACT OF 1933: A federal law for the purpose of protecting the public in the issuance and distribution of securities by requiring full disclosure by the issuer.

SECURITIES AND EXCHANGE COMMISSION: The government agency responsible for regulating and supervising the securities industry.

SECURITIES EXCHANGE ACT OF 1934: A federal law for the purpose of protecting the public in the trading of securities on the stock exchanges and the over-the-counter market.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, SLMA, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the yield curve.

TWO HIGHEST CREDIT RATING CATEGORIES: For long-term debt the two highest rating categories, namely AAA and AA, without regard to any gradation of that rating by a numerical, symbol or other such modifier however done by any of the different Rating Agencies. See table below. The two highest credit rating categories are highlighted. Likewise, short-term ratings of the two highest categories by rating firm are also highlighted. Table of ratings categories; partial listing of upper portion of complete table as herein needed:

Moody's		**S&P**		**Fitch**	
Long-term	Short-term	Long-term	Short-term	Long-term	Short-term
Aaa	P-1	AAA	A-1+	AAA	F1+
Aa1	P-1	AA+	A-1+	AA+	F1+

Aa2	P-1	AA	A-1+	AA	F1+
Aa3	P-1	AA-	A-1+	AA-	F1+
A1	P-1	A+	A-1	A+	F1
A2	P-1	A	A-1	A	F1
A3	P-2	A-	A-2	A-	F2
Baa1	P-2	BBB+	A-2	BBB+	F2

Please note, the table shown above is just the relevant part of a comprehensive ratings table in order to clarify the Investment Risk Management Policy meaning for the term "two highest credit rating categories."

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BOND: Long-term U.S. Treasury securities having initial maturities of more than ten years.

TREASURY NOTES: Intermediate term coupon bearing U.S. Treasury securities having initial maturities of from one to ten years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms, as well as nonmember broker-dealers in securities, maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

Agency, All Requirements, St. Lucie, Stanton, Stanton II and Tri-City Projects

Authorized Investments		Credit Rating/Security/Collateral
1.	U.S. Gov. obligations including Federal Agencies unconditionally guaranteed by the U.S. Govt.	Guaranteed by the U. S. Government.
2.	Non-callable bonds or other obligations of any U.S. State, Agency, Instrumentality or local Gov. unit.	Guaranteed by cash or U.S. Gov. securities or rated in the highest category by a nationally recognized bond rating agency.
3.	Bonds, debentures or other indebtedness issued or guaranteed issued by any Agency or Instrumentality of the United States of America.	Issued or guaranteed by any agency or corporation of the U.S. Gov.
4.	New Housing Authority Bonds and Project notes fully secured.	Fully secured by payment agreement with U.S. Gov.
5.	Direct and general obligations of any State, Agency or Instrumentality of the U. S. or any agency, instrumentality or local government.	Rated in either of the two highest credit rating categories.
6.	Obligations of any state agency or instrumentality of the U.S. Gov.	Rated in either of the two highest credit rating categories.
7.	Certificates that evidence ownership of the right to payment as long as those securities are those described above, under 1, and are held by a trust company or bank.	Unsecured, uninsured and unguaranteed debt issue ranked in the two highest rating categories.
8.	Certificates that evidence ownership of the right to payment as long as those securities are those described above, under 1, and are held by a trust company or bank.	Guaranteed by the U.S. Gov.
9.	Certificates of deposit and banker's acceptance of the 50 largest banks in the U.S. or commercial paper issued by the parent holding company.	Unsecured, uninsured and unguaranteed debt issue ranked in the two highest rating categories.
10.	Commercial Paper other than that issued by a bank holding co.	Rated in the highest rating category or issued by a U.S. Corp. which has an unsecured, uninsured and unguaranteed debt issue ranked in the two highest rating categories.
11.	Repurchase agreements with banks or trust companies.	Banks with combined capital of no less than $50 million or primary dealer secured by securities described under 1, 3, 4, 9, or 10 above.
12.	Shares of Investment Companies organized under Inv. Co. Act 1940, which invests its assets exclusively in obligations described above, under 1, 6, 9, 10, or 11.	
13.	Local Gov. Surplus Trust Fund of the State of Florida.	
15.	Money Market Funds.	Rated in the highest category of comparable types of obligations.
16.	Investment agreements or guaranteed investment contracts.	Rated in the highest credit rating category.
17	CORPORATE BONDS and NOTES: Public or private corporations and organizations issue corporate bonds and notes for the purpose of funding capital improvements, expansions, acquisitions or debt refinancing. Investors essentially are lending money to the issuer.	Rated A or above

Decommissioning Funds - St. Lucie Unit No. 2

	Authorized Investments	Credit Rating/Security/Collateral
1.	Securities or other obligations of the Federal, State government or any agency or instrumentality.	
2.	Time deposits or demand deposits of the Trustee.	Insured by an agency of the Federal Gov.
3.	Forward delivery agreements.	Guaranteed by any agency of the U.S. Gov.
4.	In accordance with instructions from FMPA subject to the provisions of Section 5 of the Trust Fund Agreement.	

Pursuant to the Resolution, all revenues are deposited with FMPA to the credit of the Revenue Fund established under the Bond Resolution. In each month, funds are to be first transferred from the Revenue Fund to the Operation and Maintenance Fund (i) for credit to the Operation and Maintenance account in the amount, if any, required so that the balance credited to said Account shall equal the amount necessary for the payment of Operation and Maintenance Expenses for the succeeding month, (ii) for credit to the Working Capital Account in the amount budgeted therefore, and (iii) for credit to the Rate Stabilization Account in the amount, if any, budgeted therefore. After these transfers from the Revenue Fund, FMPA will make in each month the following deposits from the Revenue Fund in the order of priority set forth below:

First, to the Debt Service Account held by the Trustee, the amount required so that the balance in such Account (excluding capitalized interest on deposit therein in excess of the amount thereof to be applied to pay interest accrued and to accrue on all outstanding Bonds to the end of the then current calendar month) shall equal the Accrued Aggregate Debt Service;

Second, to the Debt Service Reserve Account held by the Trustee (and each sub account therein), after giving effect to any surety bond, insurance policy, letter of credit or other obligation deposited therein pursuant to the terms of the Resolution, the amount required to be deposited into such Account in such month to make up any deficiency in the Debt Service Reserve Requirement;

Third, to the Subordinated Debt Fund held by FMPA for credit to the various accounts therein, including the Offered Securities Account, the amount, if any, required to pay principal or sinking fund installments of and interest on each issue of Subordinated Debt (including the Offered Securities) and reserves therefore, as required by the supplemental Bond Resolution authorizing such issue of Subordinated Debt;

Fourth, to the Reserve and Contingency Fund held by FMPA (a) for credit to the Renewal and Replacement Account, the amount budgeted therefore, and (b) for credit to the Contingency Account the amount required for such account to equal the Contingency Requirement;

Fifth, for deposit to the Decommissioning Fund (which is not pledged to the Offered Securities), the amount budgeted therefore; (applicable for St. Lucie Project) and

Sixth, for credit to the General Reserve Fund held by FMPA, any remaining monies in the Revenue Fund.

Florida Municipal Power Agency
Risk Management Reporting Calendar
Investment Risk Management Reporting Requirements

Reporting Item	Frequency Of Report	Responsible Party	Policy Section Reference	Policy Category Reference
Security Ratings Compliance	Monthly	Treasurer and Risk Director	Section 5.0	Authorized and Suitable Investment Securities~~Authorized and Suitable Investment Securities~~
Financial Condition	Annually	Treasurer and Risk Director	Section 5.1	Authorized Financial Institutions, Depositories, and Broker/Dealers:~~Authorized Financial Institutions, Depositories, and Broker/Dealers:~~
Diversification Percentage	Monthly	Treasurer and Risk Director	Section 5.5	Diversification: ~~Diversification:~~
SSAE 16 Report for Trustees and Custodians	Annually	Treasurer and Risk Director	Section 6.0	Custody~~Custody~~
Policy Compliance Deviations	As Needed	Agency Risk Manager	Section 8.1	Policy and Procedure Compliance~~Policy and Procedure Compliance~~
Investment Reports	EC/BOD meetings	Treasurer and Risk Director	Section 9.0	Reporting~~Reporting~~
Policy Operation and	Annually	FC	Section 9.0	Reporting~~Reporting~~

Effectiveness				

AGENDA ITEM 10 – REPORTS

c. Risk Compliance Reviews

Finance Committee Meeting
August 21, 2019

FMPA Risk Management Department
Policy Compliance Review
Credit Policy (Appendix E)

This Policy compliance review is conducted by the Internal Audit Department (IAD) to assess the status of risk management practices for the time period noted below. The Internal Audit Department completes this form and submits to responsible manager(s) for additional information and comment. Documentation or attestation of compliance may be required during this review. The final form is submitted to the appropriate CFO and the CEO prior to being presented to the Finance Committee (FC) as an information item.

Review period: <u>**March, 2018**</u> to <u>**April, 2019**</u>
Responsible Manager(s): Rich Popp, Treasurer and Risk Director

Policy Compliance: Indicate whether the following items required in the Credit Policy were completed during the review period.

REQUIREMENT	YES	NO	EXPLANATION
Deviations from Policy were reported to the FC within 5 working days. (Section 2.1)	N/A		None during Period
Risk Management staff performed calculations of present value of financial loss potential for transactions nominated by managers to the T&RD. (Section 4.0)	N/A		None during Period
Risk Management staff conducted credit evaluations for material transactions and reported the results to the nominating manager. (Section 4.0)	N/A		None during Period
Nominating managers submitted formal written plan for managing credit risks identified in credit evaluation to the T&RD. (Section 4.0)	N/A		None during Period
Credit Risk Procedures were established by the Agency Risk Manager. (Section 4.0)	X		
Credit risk management plans for material transactions of up to $50 million were approved by the T&RD. (Section 4.1)	X		
Credit risk management plans for material transactions of $50 - $100 million were approved by the T&RD and FC. (Section 4.1)	N/A		None during Period
Credit risk management plans for material transactions greater than $100 million were approved by the T&RD, FC, and appropriate governing body. (Section 4.1)	N/A		None during Period
T&RD caused a list of approved counterparty transactions to be maintained. (Section 4.2)	X		Appendix A of Credit Policy, updates recommended

Policy Compliance continued:

REQUIREMENT	YES	NO	EXPLANATION
T&RD caused a credit file to be maintained for each approved counterparty transaction. (Section 5.0)	X		Counterparty credit status monitored using Google Alert Notification routines
Credit files were continuously monitored and formal reviews conducted every 6 months. (Section 5.0)	N/A		No Transaction noted during the year under review
Credit limit overages were documented in the credit file and reported to the FC within 5 business days. (Section 5.0)	N/A		None during Period
T&RD reported significant changes to the credit file to the FC as needed. (Section 5.0)	N/A		None during Period

Internal Control Assessment: Evaluate the effectiveness of the current process in achieving the following control objectives. Use a scale of 1 to 4 as defined on attached page.

OBJECTIVE	1	2	3	4	EXPLANATION
Controls are in place to identify and assess risks related to credit risk management.					NA – No transaction noted
Asset Managers nominate counterparty transaction to the T&RD to initiate credit review process.					NA – No transaction noted
All material transactions are subject to the credit review process.					NA – No transaction noted
The T&RD considers the credit risk of transactions less than the materiality threshold and recommends credit reviews for those transactions with significant risk to the Agency.					NA – No transaction noted

Are there any concerns related to credit risk management which should be brought to the attention of the CEO as part of this review?
Yes ☐ No ☒ If yes, describe below.

FMPA Risk Management Department
Policy Compliance Review
Credit Policy (Appendix E)

Are there internal control concerns related to credit risk management which require immediate attention?
Yes ☐ No ☒ If yes, describe below including any change to risk inventory controls score.

Rate the overall functioning of credit risk management practices using a scale of 1 to 4 as defined on attached page.

1	2	3	4	EXPLANATION
☐	☐	☒	☐	Compliant with policy but need to review/update to improve effectiveness

Additional comments from responsible Manager(s):
Are there any emerging risks or environmental changes which impact credit risk management?
Yes ☐ No ☒ If yes, describe below including any proposed changes to risk inventory.

Other comments:
We should refine policy to lower approval thresholds (section 4.1) and send for review by EC. This change will provide the agency with more oversight since prior thresholds did not generate anticipated reviews.

Risk Management Reviewer — Date 8-13-2019

Responsible Manager Signature — Date 8-13-2019

Responsible CFO Signature — Date 8-13-19

Rating scale for Policy compliance reviews:

1 = Risk management practices not in place.

2 = Risk management practices in place are not effective in meeting Policy requirements.

3 = Risk management practices in place meet Policy requirements.

4 = Risk management practices in place exceed Policy requirements.

Standard of compliance:

Completion of this review indicates that the Risk Management Reviewer has verified existence of applicable procedures or process documentation and believes them to be reasonably sufficient and up-to-date.

FMPA Risk Management Department
Policy Compliance Review
FMPA Risk Management Policy

This Policy compliance review is conducted by the Internal Audit Department to assess the status of risk management practices for the time period noted below. The Internal Audit Department completes this form and submits to responsible manager(s) for additional information and comment. Documentation or attestation of compliance may be required during this review. The final form is submitted to the appropriate CFO and the CEO prior to being presented to the Finance Committee (FC) as an information item.

Review period: **March, 2018** to **April, 2019**
Responsible Manager(s): Rich Popp, Treasurer and Risk Director

Policy Compliance: Indicate whether the following items required in the FMPA Risk Management Policy were completed during the review period.

REQUIREMENT	YES	NO	EXPLANATION
External review of enterprise risk management included in budget process every five years. (Section 4.0)		X	Recommend change policy to eliminate
Internal Audit Manager reported Policy violations to the General Manager and FC as necessary. (Section 4.1)	N/A		
In cases of reported deviations, the FC advised the CEO and Risk Management Team on steps for addressing the deviation. (Section 4.1)	N/A		Check policy and define Risk Team
All risk policies reviewed at least annually and completed review reported to the FC. (Section 4.1)	X		
The Risk Management Team revised and recommended action to CEO in accordance with the risk process. (Section 4.4)	X		Add description in 4.4 for risk team
Risk management policies were approved by FC and appropriate governing body for listed Agency activities. (Section 5.0)	X		
Risk management processes and procedures were developed for listed Agency activities. (Section 5.0)	X		
When deciding between two or more competing alternate courses, each course of action or decision should be evaluated using the risk framework. (Section 6.0)	X		Added a requirement from section 6.0
Written risk assessment report was approved by the FC at least annually. (Section 7.0)	X		

Internal Control Assessment: Evaluate the effectiveness of the current process in achieving the following control objectives. Use a scale of 1 to 4 as defined on attached page.					
OBJECTIVE	**1**	**2**	**3**	**4**	**EXPLANATION**
There is appropriate segregation of duties in the enterprise risk management program.			X		
There is a strong governance path from employee to governing body back to employee.			X		
The Risk Management Team facilitates a risk management culture.		X			Define RMT
All staff work in cooperation with the Risk Management Team.		X			Define RMT
The FC appropriately oversees the FMPA Risk Management Policy.			X		
Internal Audit Manager causes risk exposures to be prioritized and reported to the FC.			X		
The Agency risk assessment is used as a reference for FC and governing body presentations.			X		

Are there any concerns related to the enterprise risk management program which should be brought to the attention of the CEO as part of this review?
Yes ☐ No ☒ If yes, describe below.

Are there internal control concerns related to the enterprise risk management program which require immediate attention?
Yes ☐ No ☒ If yes, describe below including any change to risk inventory controls score.

FMPA Risk Management Department
Policy Compliance Review
FMPA Risk Management Policy

Rate the overall functioning of enterprise risk management practices using a scale of 1 to 4 as defined on attached page.

1	2	3	4	EXPLANATION
☐	☐	☒	☐	

Additional comments from responsible Manager(s):
Are there any emerging risks or environmental changes which impact the enterprise risk management program?
Yes ☐ No ☒ If yes, describe below including any proposed changes to risk inventory.

Other comments:

Risk Management Reviewer **Date** 8-13-2019

Responsible Manager Signature **Date** 8/13/2019

Responsible CFO Signature **Date** 8-13-19

Rating scale for Policy compliance reviews:

1 = Risk management practices not in place.

2 = Risk management practices in place are not effective in meeting Policy requirements.

3 = Risk management practices in place meet Policy requirements.

4 = Risk management practices in place exceed Policy requirements.

Standard of compliance:

Completion of this review indicates that the Risk Management Reviewer has verified existence of applicable procedures or process documentation and believes them to be reasonably sufficient and up-to-date.

FMPA Risk Management Department
Policy Compliance Review
Investment Risk Management Policy (Appendix C)

This Policy compliance review is conducted by the Internal Audit Department (IAD) to assess the status of risk management practices for the time period noted below. The Internal Audit Department completes this form and submits to responsible manager(s) for additional information and comment. Documentation or attestation of compliance may be required during this review. The final form is submitted to the appropriate CFO and the CEO prior to being presented to the Finance Committee (FC) as an information item.

Review period: July, 2018 to June, 2019

Responsible Manager(s): Rich Popp, Treasurer and Risk Director / Linda Howard, CFO

Policy Compliance: Indicate whether the following items required in the Investment Risk Management Policy were completed during the review period.

REQUIREMENT	YES	NO	EXPLANATION
Investments conformed to all legal requirements including bond resolutions. (Section 2.0)	X		
The CFO caused Treasury Procedures to be written. (Section 3.0)	X		Verified
Investments were made only in authorized securities as listed in Appendix A. (Section 5.0)	X		Verified
Investments were made only in securities with required rating per Appendix A. (Section 5.0)	X		Verified
The Treasurer reported to Internal Audit Manager securities that fell below the initial required rating after purchase. (Section 5.0)	X		
The Treasurer caused a list of qualified and authorized financial institutions and depositories to be maintained and annually reviewed. (Section 5.1)	X		
Records of securities chosen by competitive bid were maintained. (Section 5.2)	X		
Securities were invested so maturities match Appendix B and Policy requirements. (Section 5.3)	X		
Investments were diversified per Policy requirements and exceptions were reported by the Treasurer to the Internal Audit Manager. (Section 5.5)	X		
Diversification exceptions approved by CFO were reported to the FC within 5 business days. (Section 5.5.1)			N/A, there were no exceptions
Excess equity funds were transferred out of brokerage futures account only with approval of CFO. (Section 5.6)			N/A, Propose deletion from policy

Policy Compliance continued:			
REQUIREMENT	**YES**	**NO**	**EXPLANATION**
Investments were transacted only on Delivery Versus Payment (DVP) basis. (Section 6.0)	X		
Custodial or Trustee institution provided updated copy of their most recent SSAE 16 and Treasurer provided to Internal Audit Manager (Section 6.0)	X		Verified
CFO caused appropriate benchmarks for portfolio performance to be established. (Section 7.0)	X		
CFO caused internal controls to be established. (Section 8.0)	X		
Treasury staff disclosed any conflicts of interest. (Section 8.1)	X		
External parties were sent a copy of the Policy and confirmed receipt in writing. (Section 8.3)	X		
Treasurer produced investment reports for at least each meeting of the Board of Directors and Executive Committee. (Section 9.0)	X		
Investment staff completed 8 hours of CPE. (Section 8.3)	X		

Internal Control Assessment: Evaluate the effectiveness of the current process in achieving the following control objectives. Use a scale of 1 to 4 as defined on attached page.

OBJECTIVE	1	2	3	4	EXPLANATION
Controls are in place to identify and assess risks related to investments and the management of financial assets.			X		
Safety of investments is given highest consideration in investment selection decisions.			X		
Investments/purchases limited to authorized staff.			X		
Controls are in place within Treasury software to ensure security of information and separation of duties.			X		
The prudent person rule guides investment staff as the standard of prudence for investment decisions.			X		

FMPA Risk Management Department
Policy Compliance Review
Investment Risk Management Policy (Appendix C)

Are there any concerns related to investment risk management which should be brought to the attention of the CEO as part of this review? Yes ☒ No ☐ If yes, describe below.

Policy needs to be updated for administrative changes.

Are there internal control concerns related to investment risk management which require immediate attention? Yes ☐ No ☒ If yes, describe below including any change to risk inventory controls score.

Rate the overall functioning of investment risk management practices using a scale of 1 to 4 as defined on attached page.

1	2	3	4	EXPLANATION
☐	☐	☒	☐	

Additional comments from responsible Manager(s):

Are there any emerging risks or environmental changes which impact investment risk management? Yes☐ No☒ If yes, describe below including any proposed changes to risk inventory.

Other comments:

Requesting policy change to increase corporate notes from 10% to 20% of the portfolio. Increase in yield is between 25 bps & 60 bps depending on the tenor of the purchase. This is equal to $2,500 to $6,000 per year per $1 million.

Risk Management Reviewer — **Date** 8-13-2019

Responsible Manager Signature — **Date** 8-13-2019

Responsible CFO Signature — **Date** 8-13-2019

FMPA Investment Policy: Version 5 approved 05/21/15
FMPA Policy Compliance Review Form: Version 2 revised 06/28/19

Rating scale for Policy compliance reviews:

1 = Risk management practices not in place.

2 = Risk management practices in place are not effective in meeting Policy requirements.

3 = Risk management practices in place meet Policy requirements.

4 = Risk management practices in place exceed Policy requirements.

Standard of compliance:

Completion of this review indicates that the Risk Management Reviewer has verified existence of applicable procedures or process documentation and believes them to be reasonably sufficient and up-to-date.

AGENDA ITEM 11 – COMMENTS

Finance Committee Meeting
August 21, 2019

AGENDA ITEM 12 – ADJOURNMENT

Finance Committee Meeting
August 21, 2019