Board of Directors

Bill Conrad, Newberry, Chairman
Barbara Quiñones, Homestead – Vice Chairman
Lynne Tejeda, Key West, Secretary
Gary Hardacre, Alachua
Bradley Hiers, Bartow
Vacant, Blountstown
Bruce Hickle, Bushnell
Elmon Lee Garner, Chattahoochee
Danny Williams, Clewiston
Fred Hilliard, Fort Meade
Clay Lindstrom, Fort Pierce
David Beaulieu, Gainesville
Robert Page, Green Cove Springs
Howard McKinnon, Havana
Allen Putnam, Jacksonville Beach

Larry Mattern, Kissimmee
Vacant, Lake Worth
Patrick Foster, Leesburg
Alan Shaffer, Lakeland
Harry Ogletree, Moore Haven
Charles Revell, Mount Dora
W. Ray Mitchum, New Smyrna Beach
Sandra Wilson, Ocala
Claston Sunanon, Orlando
Mike Wade, Quincy
Donna Cooley, St. Cloud
Tom Ernharth, Starke
Randy Old, Vero Beach
Terry Atchley, Wauchula
Scott Lippmann, Williston
Jerry Warren, Winter Park

Meeting Held 9:30 a.m.
Thursday, April 16, 2015
Florida Municipal Power Agency
8553 Commodity Circle
Orlando, Florida 32819
MEMORANDUM

TO: FMPA Board of Directors
FROM: Nicholas P. Guarriello
DATE: April 8, 2014
RE: Board of Directors Meeting

Thursday, April 16, 2015 – 9:30 a.m. (or immediately following the Audit and Risk Oversight Committee meeting)

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

Chairman Bill Conrad, Presiding

DIAL-IN INFORMATION:
Toll Free 866-411-8247, Local 321-239-1100
ACCESS CODE 91583#

(If you have trouble connecting via phone please call 407-355-7767)

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NPG/su

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

Board of Directors Meeting
April 16, 2015
AGENDA ITEM 2 – RECOGNITION OF GUESTS

Board of Directors Meeting
April 16, 2015
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Board of Directors Meeting
April 16, 2015
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Board of Directors Meeting
April 16, 2015
VERBAL REPORT

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Board of Directors Meeting
April 16, 2015
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AGENDA

a. Approval of Minutes – Board of Directors Meetings Held February 3, 2015, February 16, 2015 and February 19, 2015 and Concurrent Board of Directors and Executive Committee Workshop Held February 3, 2015

Board of Directors Meeting
April 16, 2015
MINUTES
FMPA SPECIAL-CALLED TELEPHONIC BOARD OF DIRECTORS MEETING
FLORIDA MUNICIPAL POWER AGENCY
8553 COMMODITY CIRCLE
ORLANDO, FL 32819
TUESDAY, FEBRUARY 3, 2015
10:30 A.M.

MEMBERS
Roland Davis, Alachua (via telephone)
Brad Hiers, Bartow (via telephone)
Bruce Hickle, Bushnell (via telephone)
Lee Garner, Chattahoochee (via telephone)
Danny Williams, Clewiston (via telephone)
Fred Hilliard, Fort Meade (via telephone)
Bill Thiess, Fort Pierce (via telephone)
David Beaulieu, Gainesville (via telephone)
Howard McKinnon, Havana (via telephone)
Barbara Quiñones, Homestead (via telephone)
George Forbes, Jacksonville Beach (via telephone)
Lynne Tejeda, Key West (via telephone)
Larry Mattern, Kissimmee (in person)
Clay Lindstrom, Lake Worth (via telephone)
Alan Shaffer, Lakeland (via telephone)
Patrick Foster, Leesburg (via telephone)
Charles Revell, Mount Dora (via telephone)
Bill Conrad, Newberry (via telephone)
Mike Poucher, Ocala (via telephone)
Donna Cooley, St. Cloud (via telephone)
Ricky Thompson, Starke (via telephone)
Terry Atchley, Wauchula (via telephone)
Jerry Warren, Winter Park (via telephone)

OTHERS
Paul Jakubczak, Fort Pierce (via telephone)

STAFF
Nick Guarriello, General Manager and CEO
Fred Bryant, General Counsel (via telephone)
Jody Finklea, Assistant General Counsel and Manager of Legal Affairs (via telephone)
Mark McCain, Assistant General Manager, Member Services, Human Resources and Public Relations
Mark Larson, Assistant General Manager, Finance and IT and CFO
Sharon Smeenk, Member Services Manager
Dan O'Hagan, Associate General Counsel
Sue Utley, Executive Asst./Asst. Secy. to the Board
Michelle Pisarri, Administrative Coordinator
ITEM 1 - CALL TO ORDER, ROLL CALL

Chairman Bill Conrad, Newberry, called the Telephonic Board of Directors Meeting to order at 10:33 a.m. on Tuesday, February 3, 2015. A speaker telephone for public attendance and participation was located in the Library at the Florida Municipal Power Agency, 8553 Commodity Circle, Orlando, Florida. The roll was taken and a quorum was declared with 22 members present representing 36.5 votes out of a possible 48.5. Lee Garner, Chattahoochee, joined the meeting via telephone after the roll call was taken bringing the total members present to 23 representing 37.5 votes out of a possible 48.5.

ITEM 2 – SET AGENDA (by vote)

MOTION: Howard McKinnon, Havana, moved approval of the agenda as set. Larry Mattern, Kissimmee, second the motion. Motion carried 37.5-0.

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

None

ITEM 4 – ACTION ITEMS

a. Approval of FMPA-ECG Alliance Agreement – Services Confirmation Document

Lee Garner, Chattahoochee, Chairman of the Member Services Advisory Committee (MSAC), said the MSAC has approved this item and recommends approval to the Board of Directors.

George Forbes, Jacksonville Beach, said he was uncomfortable approving something where the dollar amounts were not known and would like to see the item on the next Board agenda for approval by the Board of Directors after the dollar amounts are known.

MOTION: Lee Garner, Chattahoochee, moved approval of the MSAC recommendation to approve the Services Confirmation Document, and when the final dollar amounts are known, it is to be brought back to the Board of Directors for approval at their next meeting. Charles Revell, Mount Dora, seconded the motion. Motion carried 37.5-0.
ITEM 5 – INFORMATION ITEMS

a. Resolution 2015-B1 – Authorizing the Commencement of CR-3 Decommissioning on Behalf of the CR-3 Municipal Joint Owners

Dan O’Hagan, Associate General Counsel, briefed the Board about the trust agreement between SunTrust Bank and FMPA, as agent for six Crystal River Unit 3 joint owners, requiring a Resolution from FMPA’s Board of Directors authorizing the commencement of decommissioning in order to withdraw decommissioning funds, including the six joint owners’ share of $429,560.21 as reimbursement for previously incurred CR3 decommissioning costs.

ITEM 6 – MEMBER COMMENTS

None

ITEM 7 – ADJOURNMENT

There being no further business, the meeting was adjourned at 10:53 a.m.

_________________________  ____________________________
Bill Conrad              Lynne Tejeda
Chairman                Secretary

Approved: ________________ Seal
BC/LT/su
MINUTES  
FMPA CONCURRENT BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE MEETING  
FLORIDA MUNICIPAL POWER AGENCY  
8553 COMMODITY CIRCLE  
ORLANDO, FL 32819  
MONDAY, FEBRUARY 16, 2015  
10:00 A.M.

MEMBERS PRESENT  Brad Hiers, Bartow *  
Bruce Hickle, Bushnell  
Elmon Lee Garner, Chattahoochee * (via telephone)  
Danny Williams, Clewiston (via telephone)  
Fred Hilliard, Fort Meade  
Bill Thiess, Fort Pierce  
David Beaulieu, Gainesville  
Howard McKinnon, Havana  
Barbara Quinones, Homestead  
Harry Royal, Jacksonville Beach  
Lynne Tejeda, Key West  
Larry Mattern, Kissimmee  
Clay Lindstrom, Lake Worth  
Alan Shaffer, Lakeland (via telephone)  
Patrick Foster, Leesburg  
Charles Revell, Mount Dora * (via telephone)  
Bill Conrad, Newberry  
Sandra Wilson, Ocala  
Donna Cooley, St. Cloud  
Ricky Thompson, Starke  
Randy Old, Vero Beach  
Jerry Warren, Winter Park  

*joined the meeting after roll call

OTHERS PRESENT  Paul Jakubczak, Fort Pierce  
Jim Swan, Kissimmee  
Jim Welsh, Kissimmee  
Grant Lacerte, Kissimmee  
Al Minner, Leesburg  
Michael Poucher, Ocala  
David Anderson, Ocala  
Mark Mucher, Vero Beach  
Deborah Zorc Seeley, Vero Beach  
Arlyne Zorc, Vero Beach  
Craig Dunlap, Dunlap and Associates  

Concurrent Board of Directors and Executive Committee Meeting Minutes for Board of Directors  
February 16, 2015
ITEM 1 - CALL TO ORDER, ROLL CALL AND DECLARATION OF QUORUM

Chairman Bill Conrad, Newberry, called the Board of Directors Meeting to order at 10:01 a.m. on Monday, February 16, 2015 at the Florida Municipal Power Agency, 8553 Commodity Circle, Orlando, Florida. The roll was taken for the Board of Directors and a quorum was declared with 19 members present representing 34 votes out of a possible 48.5. Brad Hiers, Bartow joined the meeting in person after the roll call and Lee Garner, Chattahoochee and Charles Revell, Mount Dora, joined via telephone after the roll call, bringing the total members present to 22 representing 37 votes out of a possible 48.5 votes. The meeting was held for the Board of Directors concurrent with a meeting of the Executive Committee so that both bodies could cover the action item.

ITEM 2 – Recognition of Guests

Chairman Conrad introduced the Mayor of Kissimmee, Jim Swan.

Guests visiting introduced themselves as follows:

Mark Mucher, Vero Beach
Deborah Zorc Seeley, Vero Beach
Arlyne Zorc, Vero Beach
Craig Dunlap, Dunlap and Associates
Tim Zorc, Indian River County
Dylan Reingold, Indian River County
Glenn Heran, Indian River County
Lisa Zahner, Vero Beach 32963 Media
Christopher Heath, WFTV
Colleen Wixon, Press Journal/TC Palm.com, Vero Beach
ITEM 3 – PUBLIC COMMENTS (Individual Public Comments Limited to 3 Minutes)

Chairman Conrad asked Jody Finklea, FMPA’s Assistant General Counsel and Manager of Legal Affairs, to explain FMPA’s adopted policy on Public Comments.

Speakers included:

1) Dylan Reingold, County Attorney for Indian River County
2) Glenn Heran, Indian River County
3) Jim Swan, Mayor of the City of Kissimmee

ITEM 4 – SET AGENDA (by vote)

MOTION: Harry Royal, Jacksonville Beach, moved approval of the agenda as presented. Larry Mattern, Kissimmee, seconded the motion. Motion carried 37-0.

ITEM 5 – REPORT FROM THE GENERAL MANAGER

Nicholas Guarriello reported that FMPA’s lobbyist, Bill Peebles, recommends hiring additional help to work with him in Tallahassee and that staff will recommend to the Executive Committee at its next meeting to hire a management consulting firm to look at the five areas recommended by the Auditor General’s report.

ITEM 6 – ACTION ITEM

a. Approval of FMPA’s Response to the Preliminary and Tentative Findings of the Auditor General

The Board of Directors and Executive Committee discussed the response to the Auditor General. Discussion included amending some language, removing some language and leaving Attachment B from the agenda package out of the response by FMPA to the Auditor General’s preliminary and tentative findings.

MOTION: Larry Mattern, Kissimmee, moved approval of staff’s proposed responses to the Auditor General’s preliminary and tentative findings, and particularly findings 4, 5, 6, 7, 8, 9, 10, 11, 12 and 15, and include in the proposed response the following additions and deletions:

(a) Add Attachment B to staff’s agenda memorandum, but delete the penultimate paragraph that begins: “Further confirming . . . .”

(b) Add a sentence to the introduction that informs the Auditor General that FMPA will be considering hiring a management consultant to address, at least in part, the enumerated findings.

(c) Add a demonstrative table in part 2.A. of the proposed response that restates the Auditor General’s Table 5 using actual FMPA rate information, and not budget information used by the Auditor General in its Table 5.
(d) Delete the first phrase of the second sentence under “Other Clarifications” for finding no. 8, which will delete these words: “This finding has been cited often in media reports to date; however,” so the amended second sentence reads: “The charges coded to this account need clarification.” and

(e) Add clarification to the FMPA response for each numbered finding that FMPA will take action to address the Auditor General’s finding as soon as practicable.

Lee Garner, Chattahoochee, seconded the motion.

Discussion continued.

MOTION TO AMEND: Jerry Warren, Winter Park, moved to amend the motion by deleting the language related to Attachment B to staff’s agenda memorandum. Lee Garner, Chattahoochee, seconded the motion. A roll call vote was taken. Motion carried 35 to 2. Fort Meade voted nay.

A roll call vote was then called on the main motion as amended (with the language related to Attachment B to staff’s agenda memorandum deleted). Motion carried 34 to 3. Fort Meade and Winter Park voted nay.

Discussion continued.

MOTION: Larry Mattern, Kissimmee, moved approval to include Attachment B from staff’s agenda memorandum to FMPA’s response to the Auditor General. Harry Royal, Jacksonville Beach, seconded the motion. A roll call vote was taken. Motion failed 11.5-25.5, with Jacksonville Beach, Key West, Kissimmee, Lake Worth, St. Cloud, and Starke voting yea.

ITEM 7 – INFORMATION ITEMS

a. None

ITEM 8 – MEMBER COMMENTS

James Welsh, Kissimmee, commended his colleagues for the candor and transparency and a good meeting.

ITEM 9 – ADJOURNMENT

There being no further business, the meeting was adjourned at 11:53 a.m.
MINUTES
FMPA BOARD OF DIRECTORS MEETING
FLORIDA MUNICIPAL POWER AGENCY
8553 COMMODITY CIRCLE
ORLANDO, FL 32819
THURSDAY, FEBRUARY 19, 2015
10:00 A.M.

MEMBERS PRESENT
Roland Davis, Alachua (via telephone)
Bruce Hickle, Bushnell (via telephone)
Fred Hilliard, Fort Meade* (via telephone)
Bill Thiess, Fort Pierce
David Beaulieu, Gainesville (via telephone)
Howard McKinnon, Havana
Barbara Quinones, Homestead (via telephone)
Harry Royal, Jacksonville Beach
Lynne Tejeda, Key West (via telephone)
Larry Mattern, Kissimmee
Clay Lindstrom, Lake Worth
Alan Shaffer, Lakeland (via telephone)
Patrick Foster, Leesburg
Bill Conrad, Newberry
Sandra Wilson, Ocala
Tom Ernharth, Starke (via telephone)
Randy Old, Vero Beach

* arrived after the roll call

OTHERS PRESENT
Paul Jakubczak, Fort Pierce
Mike Perri, Fort Pierce
Allen Putnam, Jacksonville Beach
Grant Lacerte, Kissimmee
David Anderson, Ocala
Mike Poucher, Ocala
Donna Painter, nFront Consulting
Craig Dunlap, Dunlap & Associates, Inc.
Matt Williams, Bank of America Merrill Lynch
Lisa Zahner, Vero Beach 32963 Media
Tim Zorc, Indian River County Commissioner
ITEM 1 - CALL TO ORDER, ROLL CALL AND DECLARATION OF QUORUM

Chairman Bill Conrad, Newberry, called the Board of Directors Meeting to order at 10:00 a.m. on Thursday, February 19, 2015 at the Florida Municipal Power Agency, 8553 Commodity Circle, Orlando, Florida. The roll was taken and a quorum was declared with 16 members present, representing 29 votes out of a possible 48.5. Fred Hilliard, Fort Meade, joined via telephone after roll call bringing the total number of members present to 17, representing 31 votes out of a possible 48.5.

ITEM 2 – Recognition of Guests

Harry Royal, Jacksonville Beach, introduced Allen Putnam, the city’s new Electric Director.

Mark Schultz, Electric Director of Green Cove Springs, said he was on the telephone.

Ricky Thompson, Starke, introduced, via telephone, Starke’s new City Manager, Tom Ernharth.

Nat Singer, Swap Financial, said he was present via telephone.

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

Tim Zorc, Indian River County Commissioner, addressed the Board.

ITEM 4 – SET AGENDA (by vote)

MOTION: Larry Mattern, Kissimmee, moved approval of the agenda as presented, with the addition of item 5a – Chairman’s Comments. Howard McKinnon, Havana, seconded the motion. Motion carried 31-0.
ITEM 5 – REPORT FROM THE GENERAL MANAGER

Nicholas Guarriello recognized Harry Royal, retiring from Jacksonville Beach, with a letter and plaque. Mr. Guarriello read the letter as follows:

Dear Harry,

On behalf of the Florida Municipal Power Agency (FMPA) and its members and staff, I would like to congratulate you on your retirement. For well over a decade, you have been an active contributor to FMPA and its governing committees.

Your active participation has made a lasting contribution to FMPA and its members. Your dedicated service of more than nine years to the Audit and Risk Oversight Committee has helped shape important business decisions for FMPA. You also helped found FMPA’s Finance Advisory Committee and were an active participant on the Board of Directors, All-Requirements Project Executive Committee, Member Services Advisory Committee, and Conservation and Renewable Energy Advisory Committee. Your contributions to these committees have provided tremendous value to FMPA and its members.

Thank you for your tireless service to FMPA and its members. We wish you all the best in your retirement.

Sincerely,

Nicholas P. Guarriello
General Manager and CEO

A plaque was presented to Mr. Royal by Chairman Bill Conrad.

Nicholas Guarriello recognized Bill Thiess, retiring from Fort Pierce Utilities Authority, with a letter and plaque. Mr. Guarriello read the letter as follows:

Dear Bill,

On behalf of the Florida Municipal Power Agency (FMPA) and its members and staff, I would like to congratulate you on your retirement. You have been a valued contributor to FMPA and a strong leader to Fort Pierce Utilities Authority (FPUA).

Your two terms as Treasurer of the Board of Directors have made a lasting contribution to the FMPA and its members. You have served FMPA’s Board and Executive Committee for nine years, including six as an alternate and three as a member of both governing bodies. Your leadership and vision have helped steer FMPA through a challenging time into a new era of competitiveness. FMPA’s members are grateful for your service.
We also recognize your excellent leadership at FPUA. During your tenure, FPUA received the prestigious Reliable Public Power Provider Diamond Level designation. Your leadership also helped FPUA enhance its competitiveness and its relationships with the community.

Thank you for your tireless service to your community and to municipal utilities statewide. We wish you all the best in your retirement.

Sincerely,

Nicholas P. Guarriello
General Manager and CEO

A plaque was presented to Mr. Thiess by Chairman Bill Conrad.

ITEM 5a – CHAIRMAN’S COMMENTS (added under Item 4 Set Agenda)

Chairman Conrad said he reflected on Mayor of Kissimmee Jim Swan’s comments at the February 16, 2015 Board of Directors meeting that it’s important to all of us in our inter-governmental relationships that we sit down frequently and talk to each other and find out what we can do to work together, especially in our city/county relationships. Mayor Swan said he meets once a month with the leadership in Osceola County and the other cities in that county to talk about how they can support each other. It’s important that we work together to figure out how we can best solve our problems by working together and seeking compromise. There is no winner in lawsuits, but there are losers. The big losers are the tax payers and the rate payers who are ultimately paying for both sides of the lawsuit. If we throw out the political agendas and figure out what is best for the tax payers and rate payers, the solution becomes very clear and easy.

Chairman Conrad said there have been news reports about the lavish lifestyles of the FMPA Board and staff. He stated that he signs the travel expenses for both the General Manager and CEO and the General Counsel and can attest that both of these gentlemen do not have lavish lifestyles while traveling. Thus, the benefit of getting to know each other is that we are not so easily swayed by news reports. We haven’t done justice in the press and I believe FMPA is one of the most solid and well-run, open and accountable, transparent Agencies that I’ve ever been a part of.

ITEM 6 – Consent Agenda
a. Approval of Minutes – Board of Directors Meeting Held January 22, 2015

b. Approval of the Projects’ Financials as of December 31, 2014

c. Approval of the Treasury Reports as of November 30, 2014 (pulled from January 22, 2015 Board of Directors Meeting) and December 31, 2014

MOTION: Patrick Foster, Leesburg, moved approval of the Consent Agenda as presented. Harry Royal, Jacksonville Beach, seconded the motion. Motion carried 31-0.
ITEM 7 – ACTION ITEM


Dan O’Hagan, Associate General Counsel, reported on the refund by Duke Energy of certain nuclear decommissioning expenses paid as operation and maintenance expenses by the municipal joint owners of Crystal River 3. Mr. O’Hagan reported that the Trustee requires a Resolution by the FMPA Board of Directors to disburse the refund from the decommissioning trust fund.

MOTION: Patrick Foster, Leesburg, moved approval of Resolution 2015-B1. Larry Mattern, Kissimmee, seconded the motion.

Resolution 2015-B1 was read by title as follows:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE FLORIDA MUNICIPAL POWER AGENCY: (I) AUTHORIZING THE COMMENCEMENT OF CRYSTAL RIVER UNIT 3 DECOMMISSIONING; (II) DESIGNATING AUTHORIZED OFFICERS; AND (III) PROVIDING AN EFFECTIVE DATE.

Motion carried 31-0.

b. Approval of an Increase Lobbying Expenditures

Nicholas Guarriello, General Manager and CEO, reported on the need for additional funds for legislative and media relations expenses in hiring additional help for Bill Peebles, FMPA’s Tallahassee lobbyist, to help with upcoming legislation to regulate FMPA and outside influences trying to undermine FMPA’s purpose and mission.

MOTION: Larry Mattern, Kissimmee, moved approval of the letter agreement with William J. Peebles, P.A. to increase the firm’s authorized compensation by $100,000 to fund additional assistance with legislative and media relations, and authorize FMPA’s General Manager and CEO to execute the agreement. Howard McKinnon, Havana, seconded the motion. Motion carried 25-6. Fort Meade, Leesburg, and Vero Beach voted nay.

ITEM 7 – INFORMATION ITEMS

a. Annual Debt Report

Janet Davis, Treasury Manager, reported on the Annual Debt report.

b. Syncora Buys Majority State in Swap Financial Group

Mark Larson, Assistant General Manager, Finance and IT and CFO, and Nat Singer, Swap Financial Group, LLC, reported on the purchase of an equity position in Swap Financial Group, LLC by Syncora Investment Holdings.

Board of Directors
Meeting Minutes
February 19, 2015
ITEM 8 – MEMBER COMMENTS

Bill Thiess, Fort Pierce, said he appreciates the recognition earlier in the meeting. This will be his last meeting. He wanted to let everyone know that Fort Pierce Utilities Authority’s Board hired Clay Lindstrom from Lake Worth as Bill’s replacement and Paul Jacubczak is their Electric Director and between the two of them they have almost 50 years’ experience. FPUA is in good hands. Bill said he has enjoyed working with the Board and we have faced some huge challenges that sometimes seemed insurmountable, but this group came together and met them head on and worked through them. We’ve made a lot of changes. The direction of this group is real good and I feel bullish on the future of FMPA. We have good leadership at our utility and a supportive Board back home. It has been a pleasure to be a part of FPUA and FMPA.

George Forbes, Jacksonville Beach, thanked Frank Gaffney, Carol Chinn, Joe McKinney and the team that helped Beaches Energy and KUA reach an agreement with OUC regarding transmission operator. Through the team’s efforts, they got us greatly reduced initial costs and I appreciate their help on this.

Larry Mattern, Kissimmee, said he would like to thank Bill Thiess and Harry Royal for all the service they have given to FMPA – they are great contributors to public power and it’s been a pleasure to work with both of them.

KUA is proud to have our name connected to FMPA. People need to understand what FMPA is – it’s a joint action agency – it’s not some consultant we’ve hired. FMPA is nearly every single municipal in the state of Florida that has an electric utility. The attacks in the press are on the Board of Directors, us. It’s the cities in FMPA. The electric utilities in this state make transfers to the cities’ general fund for services provided by the cities. The investor owned utilities make a profit for their stock holders. So the attacks on FMPA in the press are attacks on all of our cities.

ITEM 9 – ADJOURNMENT

There being no further business, the meeting was adjourned at 11:00 a.m.

______________________________  ______________________________
Bill Conrad  Lynne Tejeda
Chairman, Board of Directors  Secretary

Approved: ___________________________  Seal

BC/LT/su
MINUTES
FMPA SPECIAL-CALLED CONCURRENT TELEPHONIC EXECUTIVE COMMITTEE AND BOARD OF DIRECTORS WORKSHOP
FLORIDA MUNICIPAL POWER AGENCY
8553 COMMODITY CIRCLE
ORLANDO, FL 32819
TUESDAY, FEBRUARY 3, 2015
10:45 A.M.

BOARD
Bruce Hickle, Bushnell (via telephone)

MEMBERS
Lee Garner, Chattahoochee (via telephone)

PRESENT
Danny Williams, Clewiston (via telephone)
Fred Hilliard, Fort Meade (via telephone)
Bill Thiess, Fort Pierce (via telephone)
David Beaulieu, Gainesville (via telephone)
Howard McKinnon, Havana (via telephone)
Barbara Quiñones, Homestead (via telephone)
George Forbes, Jacksonville Beach (via telephone)
Lynne Tejeda, Key West (via telephone)
Larry Mattern, Kissimmee (in person)
Clay Lindstrom, Lake Worth (via telephone)
Alan Shaffer, Lakeland (via telephone)
Patrick Foster, Leesburg (via telephone)
Charles Revell, Mount Dora (via telephone)
Bill Conrad, Newberry (via telephone)
Mike Poucher, Ocala (via telephone)
Donna Cooley, St. Cloud (via telephone)
Ricky Thompson, Starke (via telephone)
Terry Atchley, Wauchula (via telephone)
Jerry Warren, Winter Park (via telephone)

OTHERS
Paul Jakubczak, Fort Pierce (via telephone)

PRESENT
ITEM 1 - CALL TO ORDER, ROLL CALL

Chairman of the Board Bill Conrad, Newberry, called the telephonic Board of Directors workshop to order at 10:53 a.m. on Tuesday, February 3, 2015. A speaker telephone for public attendance and participation was located in the Library at the Florida Municipal Power Agency, 8553 Commodity Circle, Orlando, Florida. The roll was taken for the Board of Directors. No quorum is required for a workshop, as the Board of Directors will not take any formal action in workshop session. The workshop was held for the Board of Directors concurrent with a workshop of the Executive Committee so that both bodies could cover the same topic.

ITEM 2 – INFORMATION ITEMS

Nicholas Guarriello briefed the Board of Directors and Executive Committee on the schedule for the response to the Auditor General on the preliminary and tentative findings issued to FMPA on January 21, 2015.

A discussion session with the Board of Directors and Executive Committee ensued.

It was agreed that staff would take the information discussed and draft responses to the 15 preliminary and tentative findings, and hold a follow-up, in-person meeting on February 16, 2015 at 10:00 a.m.

ITEM 3 – MEMBER COMMENTS

None
ITEM 4 – ADJOURNMENT

There being no further business, the meeting was adjourned at 12:01 p.m.

Bill Conrad    Howard McKinnon
Chairman of the Board    Chairman of the Executive Committee

Lynne Tejeda, Secretary

Approved:_____________ Seal

BCHM/LT/su
AGENDA ITEM 6 – CONSENT
AGENDA

b. Approval of the Projects’ Financials as of January 31, 2015 and February 28, 2015

Board of Directors Meeting
April 16, 2015
AGENDA PACKAGE MEMORANDUM

TO: FMPA Board of Directors
FROM: Mark Larson
DATE: April 9, 2015
ITEM: 6b – Approval of Projects’ Financials as of January 31, 2015 and February 28, 2015

Discussion: The summary financial statements and detailed financial statements of the Projects for the period ended January 31, 2015 and February 28, 2015 will be posted on the Member Portal section of FMPA’s website.


ML/df
AGENDA ITEM 6 – CONSENT

AGENDA

c. Approval of the Treasury Reports as of January 31, 2015 and February 28, 2015

Board of Directors Meeting
April 16, 2015
AGENDA PACKAGE MEMORANDUM

TO: FMPA Board of Directors
FROM: Janet Davis
DATE: March 10, 2015
ITEM: BOD 6c – Approval of Treasury Reports as of January 31, 2015

Strategic Relevance

FMPA’s Relevant Strategic Goals
1. Be the lowest cost wholesale electricity provider in Florida
   • Identify, understand and manage risk responsibility
   • Maintain sound financial policies and practices

2. Foster a positive communication culture
   • Improve board-staff communication

Policy Decisions/Implications
• To report operation and effectiveness of asset management
• To report on the current opportunities and risk environment affecting FMPA

Introduction
• This agenda item is a quick update of the Treasury Department’s functions.
• The Treasury Department reports for January are posted in the member portal section of FMPA’s website.

Debt Discussion
Below is a summary of the total debt outstanding and the percentage of debt that was fixed, variable or synthetically fixed with interest rate swaps as of January 31, 2015.

<table>
<thead>
<tr>
<th></th>
<th>Total Debt Outstanding</th>
<th>Fixed Rate</th>
<th>Variable Rate</th>
<th>Synthetically Fixed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency</td>
<td>1,005,000</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>St Lucie</td>
<td>331,900,000</td>
<td>51%</td>
<td>0%</td>
<td>49%</td>
</tr>
<tr>
<td>Stanton</td>
<td>39,204,000</td>
<td>99%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>Stanton II</td>
<td>148,391,000</td>
<td>52.75%</td>
<td>0.61%</td>
<td>47.64%</td>
</tr>
<tr>
<td>Tri City</td>
<td>15,756,000</td>
<td>99%</td>
<td>1%</td>
<td>0%</td>
</tr>
</tbody>
</table>
The St Lucie investment strategy to pay down St Lucie debt:

As of January 31, 2015, the St. Lucie Project holds investments with a market value of $153 million that can be used for future bond principal payments. These investments and the Merrill Lynch investment contract (Forward Sale Agreement) will mature between now and 2026 with a value of $238 million, assuming the Merrill Lynch investment contract is executed as it currently stands.

The market value is the estimated value, calculated by Bloomberg, if we had sold all of the assets as of 1/31/2015.

<table>
<thead>
<tr>
<th>St Lucie Accounts</th>
<th>Future Holdings 10/1/26 (Estimated)</th>
<th>1/31/15 Market Value of Holdings (Estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011 A&amp;B Debt Service Reserve</td>
<td>7,751,000</td>
<td>6,798,000</td>
</tr>
<tr>
<td>2012 Debt Service Reserve</td>
<td>3,452,000</td>
<td>3,481,000</td>
</tr>
<tr>
<td>ML Forward Sale Agreement</td>
<td>139,475,000</td>
<td>62,285,000</td>
</tr>
<tr>
<td>ML FSA Collateral</td>
<td>9,785,000</td>
<td>8,061,000</td>
</tr>
<tr>
<td>General Reserve</td>
<td>77,620,000</td>
<td>72,268,000</td>
</tr>
<tr>
<td>Total</td>
<td>238,093,000</td>
<td>152,883,000</td>
</tr>
</tbody>
</table>

The future holdings on 10/1/26 as listed above, assumes that the investments mature sans default and then are held in cash until 10/1/26. Note that the final value of the Forward Sale Agreement ($139.5 million) is contingent on the St Lucie Project continuing to make the purchases as per the Merrill Lynch agreement and that the assets are held until maturity.

Our expectation is that at least, an estimated $238 million will be used to pay the outstanding debt of the St Lucie Project. The remainder will be collected from Participant billings.

Swap Discussion

The St Lucie and Stanton II Projects have a total of 13 interest rate swap contracts. As of January 31, 2014, the market values are (26,392,576) for the St. Lucie Project and ($15,958,799) for the Stanton II Project.

The Swap Valuation Report is a snap shot of the mark-to-market values at the end of the day on January 31, 2015. The report for January is posted in the “Member Portal” section of FMPA’s website.
Investment Discussion

The investments in the Projects are comprised of debt from the government-sponsored enterprises such as the Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae), as well as investments in U.S. Treasuries, Commercial Paper, Municipal Bonds and Money Market Mutual Funds.

Below is a graph of US Treasury yields for the past 5 years. The blue line is the 2 year Treasury which closed the month of January at 0.04488%. The red line is the 5 year Treasury which was 1.1548%, and the green line is the 10 year Treasury which was 1.6407%.

**US Government Treasury Securities Interest Rates**

**5-Year History**

The weighted average yields on investments earned as of January 31, 2014 in the Projects along with their benchmarks (SBA’s Florida Prime Fund and the 10 Year US Treasury Note) are as follows:
FMPA Project's Weighted Average Yields
5-Year History

Recommended Motion
AGENDA PACKAGE MEMORANDUM

TO: FMPA Board of Directors
FROM: Janet Davis
DATE: April 7, 2015
ITEM: BOD 6(c) – Approval of Treasury Reports as of February 28, 2015

Strategic Relevance **FMPA’s Relevant Strategic Goals**
1. Be the lowest cost, sustainable wholesale power provider in Florida
2. Foster a positive communication culture

**Policy Decisions/Implications**
- To report operation and effectiveness of asset management
- To report on the current opportunities and risk environment affecting FMPA

**Introduction**
- This agenda item is a quick update of the Treasury Department’s functions.
- The Treasury Department reports for February are posted in the member portal section of FMPA’s website.

**Debt Discussion**
Below is a summary of the total debt outstanding and the percentage of debt that was fixed, variable or synthetically fixed with interest rate swaps as of February 28, 2015.

<table>
<thead>
<tr>
<th></th>
<th>Total Debt Outstanding</th>
<th>Fixed Rate</th>
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</tbody>
</table>
The St Lucie investment strategy to pay down St Lucie debt:

As of February 28, 2015, the St. Lucie Project holds investments with a market value of $151 million that can be used for future bond principal payments. These investments and the Merrill Lynch investment contract (Forward Sale Agreement) will mature between now and 2026 with a value of $238 million, assuming the Merrill Lynch investment contract is executed as it currently stands.

The market value is the estimated value, calculated by Bloomberg, if we had sold all of the assets as of 2/28/2015.

<table>
<thead>
<tr>
<th>St Lucie Accounts</th>
<th>Future Holdings 10/1/26 (Estimated)</th>
<th>2/28/15 Market Value of Holdings (Estimated)</th>
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<td>8,090,000</td>
</tr>
<tr>
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<td>71,747,000</td>
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<td>151,258,000</td>
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</table>

The future holdings on 10/1/26 as listed above, assumes that the investments mature sans default and then are held in cash until 10/1/26. Note that the final value of the Forward Sale Agreement ($139.5 million) is contingent on the St Lucie Project continuing to make the purchases as per the Merrill Lynch agreement and that the assets are held until maturity.

Our expectation is that at least, an estimated $238 million will be used to pay the outstanding debt of the St Lucie Project. The remainder will be collected from Participant billings.
Swap Discussion

The St Lucie and Stanton II Projects have a total of 13 interest rate swap contracts. As of February 28, 2014, the market values are (23,467,958) for the St. Lucie Project and ($14,273,628) for the Stanton II Project.

The Swap Valuation Report is a snapshot of the mark-to-market values at the end of the day on February 28, 2015. The report for January is posted in the “Member Portal” section of FMPA’s website.

Investment Discussion

The investments in the Projects are comprised of debt from the government-sponsored enterprises such as the Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae), as well as investments in U.S. Treasuries, Commercial Paper, Municipal Bonds and Money Market Mutual Funds.

Below is a graph of US Treasury yields for the past 5 years. The blue line is the 2 year Treasury which closed the month of February at 0.6184%. The red line is the 5 year Treasury which was 1.4988%, and the green line is the 10 year Treasury which was 1.993%.
The weighted average yields on investments earned as of February 28, 2015 in the Projects along with their benchmarks (SBA’s Florida Prime Fund and the 10 Year US Treasury Note) are as follows:

**FMPA Project's Weighted Average Yields**

5-Year History

<table>
<thead>
<tr>
<th>Date</th>
<th>Agency</th>
<th>St. Lucie</th>
<th>Stanton</th>
<th>FL Prime</th>
<th>Stanton II</th>
<th>10 Yr. Treasury</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar-10</td>
<td>1.00%</td>
<td>1.00%</td>
<td>1.00%</td>
<td>1.00%</td>
<td>1.00%</td>
<td>1.00%</td>
</tr>
<tr>
<td>Jun-10</td>
<td>1.00%</td>
<td>1.00%</td>
<td>1.00%</td>
<td>1.00%</td>
<td>1.00%</td>
<td>1.00%</td>
</tr>
<tr>
<td>Sep-10</td>
<td>1.00%</td>
<td>1.00%</td>
<td>1.00%</td>
<td>1.00%</td>
<td>1.00%</td>
<td>1.00%</td>
</tr>
<tr>
<td>Dec-10</td>
<td>1.00%</td>
<td>1.00%</td>
<td>1.00%</td>
<td>1.00%</td>
<td>1.00%</td>
<td>1.00%</td>
</tr>
</tbody>
</table>

**Recommended Motion**

Move approval of the Treasury Reports for February 28, 2015.
AGENDA ITEM 7 – ACTION ITEMS

a. Approval of New Credit Card Practices – Auditor General’s Report Finding #11

Board of Directors Meeting
April 16, 2015
AGENDA PACKAGE MEMORANDUM

TO: Executive Committee (EC) and Board of Directors (BOD)
FROM: Nicholas Guarriello/Mark Larson
DATE: April 7, 2015
ITEM: EC 9f BOD 7a: Approval of New Credit Card Practices – Auditor General Finding No. 11

Update

There are several items recommended by the Auditor General (AG) in their final audit report that staff are working on. This is a follow up memo to our March status memo, focused on new credit card practices as recommended in AG Finding No. 11.

**Recommendation for Finding No. 11:** The FMPA should enhance its procedures to ensure compliance with its policies regarding credit card user agreements. The FMPA should also enhance its existing policies to clarify responsibilities regarding notification of credit card user termination and associated card cancelation, including notification requirements of member municipalities; require all credit card users to sign the monthly credit card activity reports; and require periodic reviews of credit card user credit limits for reasonableness.

Attachment 1 presents the AG’s recommendation, current practice and a recommended revised practice.

Recommended Motion

Move approval of the proposed credit card practices as described in Attachment 1.

Attachment
**Attachment 1**

**Credit Card Recommendation for Finding No. 11:**

“The FMPA should enhance its procedures to ensure compliance with its policies regarding credit card user agreements. The FMPA should also enhance its existing policies to clarify responsibilities regarding notification of credit card user termination and associated card cancellation, including notification requirements of member municipalities; require all credit card users to sign the monthly credit card activity reports; and require periodic reviews of credit card user credit limits for reasonableness.”

1. **Maintain credit card use agreement file:**

**Current:** Employee-signed credit card use agreements are currently required before an employee receives a credit card. Electronic copies are emailed to the employee and HR and filed with the Credit Card Administrator.

**Revised:** Add annual credit card use agreement file review. Review to be done by Risk Department staff following current practice used for Risk Policy Reviews.

2. **Notification of employee and non-employee terminations:**

**Current:** FMPA employee notifications come from HR as separations occur. The FMPA credit card is returned and/or destroyed, and the credit limit authorization is updated by FMPA’s Credit Card Administrator accordingly. Separations of plant personnel from Fort Pierce Utility Authority (FPUA) and Keys Energy are not reported to the Credit Card Administrator through a formal process involving the employer’s HR department or FMPA’s staff managing the power plant sites. (There are no KUA power plant employees holding FMPA credit cards.)

**Revised:** Establish a reporting requirement from FMPA’s Orlando-based plant management to FMPA’s Credit Card Administrator that coordinates the employee separation processes used by FPUA and Keys Energy so that FMPA’s credit card is returned to FPUA or Keys Energy management prior to employee separation and forwarded to FMPA’s Credit Card Administrator with notification to FMPA’s staff managing the power plant sites.

3. **Credit card users to sign monthly credit card activity report:**

**Current:** FMPA credit card users must file expense reports or turn in miscellaneous receipts for all of their credit card charges. Documentation of this and any credit card charge without a receipt is noted by Accounting on the managers’ monthly credit card statement summary and this is provided to each manager to review for their employees who use FMPA credit cards. Any transaction that does not have such documentation must be addressed with the employee by either the providing of a receipt or a filing
of an Affidavit of Fraud (or other appropriate documentation for a fraudulent or erroneous charge),
signed by the employee, with the credit card company through the Credit Card Administrator. All
charges that are not properly documented are held in the credit card clearing account, which is
reconciled monthly by Accounting, who inquires of the Credit Card Administrator on outstanding
amounts. The monthly summary report mentioned in the AG’s recommendation is a report to the
Managers so that they can see all charges and hold each of their direct reports accountable. Each
Manager is required to sign off on the monthly charge report. Employees currently using SharePoint are
required to attest to their charges before submitting them to their Manager electronically, therefore are
already meeting the AG’s finding on this point.

Revised: Once all Orlando employees are migrated to the SharePoint credit card process, this finding
will be addressed electronically. Plant personnel will be required to sign off on a summary page by their
Manager. Until then, each Manager will require each of their direct reports who have FMPA credit card
usage to sign off on their monthly charges summary page as well.

4. Documentation of periodic credit card limit reviews:

Current: The Credit Card Administrator requires the appropriate AGM or Manager to recommend a
credit card limit for each FMPA employee with a FMPA credit card when a new one is requested, or
when a change in amount is requested by the employee or Manager. This is done by email. The Credit
Card Administrator evaluates the requested amount, and if reasonable in their assessment, grants the
request. If not seen as reasonable, the Credit Card Administrator discusses with the appropriate AGM
and/or Manager. The Credit Card Administrator periodically reviews the setup of all credit card users.
No written documentation of this review is done.

Revised: Add in an annual review of limits that is documented in writing. A listing of all FMPA credit
card holders and their current card limit amount to be provided to each AGM, CEO, CLO and Risk
Manager for which written sign-off will be required.

Overall, once action is approved on the above areas, update the Credit Card language in the FMPA
Policy and Employee Manual.
AGENDA ITEM 7 – ACTION ITEMS

b. Approval of the St. Lucie Exception to the Debt Risk Management Policy

Board of Directors Meeting
April 16, 2015
AGENDA PACKAGE MEMORANDUM

TO: FMPA Board of Directors
FROM: Edwin Nunez
DATE: April 6, 2015
ITEM: 7b – Approval of the St. Lucie Project Exception to the Debt Risk Management Policy

Introduction: Pursuant to Section 5.5 of the Debt Risk Management Policy, at the direction of the Assistant General Manager and CFO, Treasury shall be responsible for reporting any exceptions to this section to the Audit and Risk Oversight Committee and the Board of Directors.

Discussion: Per Section 5.5 of the Debt Risk Management Policy, it’s stated that “No more than 35% of a Project’s total debt shall be hedged with interest rate swaps with any one provider”. (Please see Attachment #1) The St. Lucie Project has exceeded the 35% maximum with Bank of America/Merrill Lynch as of 9/30/2014. The new percentage as of 10/1/2014 is 36%. This will keep slowly increasing as the unswapped debt decreases and the bonds with swaps stays the same unless the St Lucie Project Auction Rate Securities connected to the swaps are redeemed in full or in part or the interest rate swaps are terminated in full or in part (Please see the Attachment #1). The current credit ratings from Moody’s, Fitch and S&P for Bank of America/Merrill Lynch are Baa2/A-/A. If we were to terminate enough of the interest rate swaps early just to meet the 35%, we’d suffer a loss of approximately $400,000 (values are as of 2/27/2015). The St. Lucie Project is the only project affected by this event. An exception for the St Lucie Project on this particular situation should be made, until the Debt Risk Management Policy is revisited for approval of a higher percentage or that this exception is waived for the duration of the term of the interest rate swap.

Recommended Motion: Move approval of the St. Lucie Project vendor diversity exception to the Debt Risk Management Policy for Bank of America/Merrill Lynch.

Attachments: Attachment #1
From Debt Risk Management Policy

5.5 **Diversification:** No more than 35% of a Project’s total debt shall be hedged with interest rate swaps, caps or other hedging instruments, in the aggregate, with any one provider, to be measured at the time of purchase and annually thereafter as detailed in Section 7.1. In the event that a particular provider exceeds the 35% maximum, the Assistant General Manager and CFO shall cause such condition to be reported to the AROC and submit for approval a strategy for addressing that condition.

St Lucie Swap Diversification as of 9/30/14¹

<table>
<thead>
<tr>
<th>St Lucie Project</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>B of A / Merrill Lynch</td>
<td>119,699,541</td>
<td>35%</td>
</tr>
<tr>
<td>Goldman Sachs</td>
<td>41,750,458</td>
<td>12%</td>
</tr>
<tr>
<td>Unswapped Debt</td>
<td>176,510,000</td>
<td>52%</td>
</tr>
<tr>
<td><strong>Total Debt Outstanding</strong></td>
<td><strong>337,960,000</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

St Lucie Swap Diversification as of 10/01/14¹

<table>
<thead>
<tr>
<th>St Lucie Project</th>
<th>Amount</th>
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</tr>
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<tbody>
<tr>
<td>B of A / Merrill Lynch</td>
<td>119,699,541</td>
<td>36%</td>
</tr>
<tr>
<td>Goldman Sachs</td>
<td>41,750,458</td>
<td>13%</td>
</tr>
<tr>
<td>Unswapped Debt</td>
<td>170,450,000.00</td>
<td>51%</td>
</tr>
<tr>
<td><strong>Total Outstanding</strong></td>
<td><strong>331,899,999</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

¹ Numbers may not add due to rounding.
AGENDA ITEM 8 – INFORMATION ITEMS

a. Annual Debt Report

Board of Directors Meeting
April 16, 2015
AGENDA PACKAGE MEMORANDUM

TO: FMPA Board of Directors
FROM: Edwin Nunez
DATE: April 1, 2015
ITEM: BOD 8a – Annual Debt Report

Introduction

Pursuant to Section 7.1 (B) of the Debt Risk Management Policy (see copy of this section as Attachment #1), the Treasury Department is required to report to the Board of Directors the annual debt report as of September 30, 2014. The information required by this policy does not include transactions capitalized due to accounting standards and reported as debt such as capitalized TARP payments to KUA and Keys Energy or the St. Lucie County commitment.

Explanation

1. The percentage of the portfolio of bonded debt and loans (“All Debt”) that is fixed rate, variable rate, and synthetic fixed rate at fiscal year-end is as follows:

<table>
<thead>
<tr>
<th>Type of Debt</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Rate Debt:</td>
<td>$1,044,425,000</td>
<td>65%</td>
</tr>
<tr>
<td>Syn. Fixed Rate Debt (VRDO’s &amp; ARS, Bank Private Placement’s):</td>
<td>$499,323,000</td>
<td>31%</td>
</tr>
<tr>
<td>CPI Synthically Fixed Rate Debt:</td>
<td>$41,180,000</td>
<td>3%</td>
</tr>
<tr>
<td>Variable Rate Debt:</td>
<td>$21,664,000</td>
<td>1%</td>
</tr>
</tbody>
</table>

FMPA All Debt
2. The total amount of bonded debt and loans outstanding by Project is as follows:

<table>
<thead>
<tr>
<th>Project</th>
<th>9/30/2014</th>
<th>9/30/2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency</td>
<td>$1,005,000</td>
<td>$1,180,000</td>
</tr>
<tr>
<td>ARP</td>
<td>$1,047,360,000</td>
<td>$1,082,020,000</td>
</tr>
<tr>
<td>St Lucie</td>
<td>$337,960,000</td>
<td>$326,465,000</td>
</tr>
<tr>
<td>Stanton</td>
<td>$45,411,000</td>
<td>$52,052,000</td>
</tr>
<tr>
<td>Stanton II</td>
<td>$156,180,000</td>
<td>$165,645,000</td>
</tr>
<tr>
<td>Tri-City</td>
<td>$18,676,000</td>
<td>$38,694,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,606,592,000</td>
<td>$1,666,056,000</td>
</tr>
</tbody>
</table>

3. The total cost of bonded debt and loans (effective interest rate) per each Project for the previous year. Each Series of bonds times the all in interest rate, including the swaps attached to them. The total of all interest costs divided by the total of all bonds for each Project.
4. The interest rate swaps counterparty diversification report. Swap percentages by dealer per Project.¹

<table>
<thead>
<tr>
<th>All-Requirements Project</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>B of A / Merrill Lynch</td>
<td>54,675,003</td>
</tr>
<tr>
<td>Goldman Sachs</td>
<td>33,179,999</td>
</tr>
<tr>
<td>JPMorgan Chase</td>
<td>83,958,000</td>
</tr>
<tr>
<td>Morgan Stanley</td>
<td>52,864,998</td>
</tr>
<tr>
<td>UBS</td>
<td>20,125,000</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>61,050,000</td>
</tr>
<tr>
<td>Unswapped Debt</td>
<td>741,507,000</td>
</tr>
<tr>
<td>Total Debt Outstanding</td>
<td>1,047,360,000</td>
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<tbody>
<tr>
<td>B of A / Merrill Lynch</td>
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</tr>
<tr>
<td>JPMorgan Chase</td>
<td>10,226,826</td>
</tr>
<tr>
<td>UBS</td>
<td>27,662,500</td>
</tr>
<tr>
<td>Unswapped Debt</td>
<td>81,880,000</td>
</tr>
<tr>
<td>Total Debt Outstanding</td>
<td>155,080,000</td>
</tr>
</tbody>
</table>
5. The debt ratio per project for the previous year.

![Debt Ratio - Total Debt / Total Assets](chart)

1 – Numbers may not add due to rounding.

*From the FMPA Financial Statement Fiscal Year End 9/30/14. “Total Assets” was taken from the Financial Statement page 13. “Total Debt” was taken from Section, VIII. Long Term Debt, pages 36-42 less TARP payments and St. Lucie County Commitment. The “Total Debt” figures have been adjusted by the balances of unamortized premiums and discounts and unamortized losses on refunding’s.

Recommended Action: For information only. No action requested.

Attachment #1
From Debt Risk Management Policy

7.1 **Debt Portfolio Reports:** The Treasurer is responsible for the completion of the following reporting requirements:

B. **Annual debt report to Executive Committee and Board of Directors at their first regular meetings following approval of audited financial statements.** Such annual debt reports shall include at a minimum:

1) Percentage of portfolio that is fixed rate, variable rate, and synthetic fixed rate at fiscal year end.

2) Total cost of debt (effective interest rate) per Project for the previous fiscal year.

3) Interest rate swap counterparty diversification report.
AGENDA ITEM 8 – INFORMATION ITEMS

b. Update on Auditor General Report
   Finding No. 15 – Disaster Recovery Plan

Board of Directors Meeting
April 16, 2015
There are several items recommended by the Auditor General (AG) in their final audit report that staff are working on. This is a follow up memo to our March status memo on the IT disaster recovery plan, the subject of AG Finding No 15.

**Recommendation for Finding No. 15:** The FMPA should enter into a written agreement to procure an alternate processing site that is sufficiently geographically distant to minimize the risk of being unable to continue critical operations in the event of a hurricane or other geographically large disaster.

Immediate action was needed relative to Finding No. 15 as FMPA’s offsite backup facility agreement had a March 1, 2015 expiration date. A renewal that is sensitive to the recommendation of the Auditor General has been negotiated and signed. The renewal contract is for 1 year instead of the standard five-year term and contains a no cost option of moving the location of our backup equipment and systems from the current location to either of the company’s other locations – Atlanta, Georgia or Boise, Idaho. Staff will evaluate the recommendation across multiple issues and examine other backup facility options which will be brought back as an information item and then as an action item at a Board of Directors and Executive Committee meeting no later than September, 2015.

**Recommended Motion**

None. This is for information only.
AGENDA ITEM 8 – INFORMATION ITEMS

c. Update on Auditor General Finding No. 10 – Selection of Bond Professionals

Board of Directors Meeting
April 16, 2015
## AGENDA PACKAGE MEMORANDUM

**TO:** Board of Directors  
**FROM:** Nicholas Guarriello/Mark Larson  
**DATE:** April 7, 2015  
**ITEM:** 8c – Update on Auditor General Finding No. 10 – Selection of Bond Professionals

<table>
<thead>
<tr>
<th>Strategic Relevance</th>
<th><strong>FMPA’s Relevant Strategic Goals</strong></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>1. Be the lowest cost wholesale electricity provider in Florida</td>
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</table>

### Introduction

The Auditor General’s (AG) Operational Audit Finding Number 10 recommended to ensure that qualified financial and professional services are acquired at the lowest possible cost consistent with the size, nature, and complexity of the bond issue, the FMPA should select financial advisors and bond counsel using a competitive selection process whereby RFPs or RFQs are solicited from a reasonable number of professionals.

For Finding Number 10, staff recommends amending the Debt Risk Management Policy (Attachment #1) as provided in Attachment #2.

A recommendation for action on this policy change will be brought back to the Board of Directors and Executive Committee in May.

### Discussion

The Finance Team has discussed each of the above AG recommendations and put together proposed amendments to the Debt Policy (Attachment #2).

### Recommended Action

No action needed, item is for information only.
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<td>3.0    Types of Debt Issuance Risk</td>
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<td>Debt Portfolio Mix</td>
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DEBT RISK MANAGEMENT POLICY
FOR FLORIDA MUNICIPAL POWER AGENCY

This Debt 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 issuance and management of all FMPA debt financing. This Policy is Appendix B 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 governing bodies. FMPA staff is hereby authorized to put mechanisms into place, such as those more fully described in Section 4.0 of this Policy, which will control, transfer, or mitigate these risks to avert an adverse effect on FMPA’s ability to access capital markets at reasonable rates and with reasonable credit terms.

This Policy covers the planning and management of debt financing. The appropriate governing body may approve exceptions to this Policy for specific debt transactions.

The following summarized the Policy of the Board of Directors and Executive Committee:

- The debt management program shall conform to all bond resolutions and all applicable federal, state and local legal requirements regarding the issuance and management of debt.
- The Board of Directors or Executive Committee must approve all forms of FMPA debt issuance.
Authority is delegated to the Assistant General Manager and CFO to create procedures to facilitate the management of debt and administer this Policy.

FMPA’s Debt Financing Team (as defined by this Policy) shall be active participants in all contemplated debt transactions.

FMPA’s Financial Advisor shall provide a written recommendation to the appropriate governing body prior to approval of any debt issuance.

FMPA’s Debt Financing Team shall provide a written financial and risk analysis of any proposed debt structure to the General Manager as required in Section 4.1.

FMPA shall manage its debt portfolios to contribute to the goal of maintaining credit ratings of no less than “A-” or “A3”.

Interest rate hedging strategies may only be employed as detailed in Section 5.0 of this Policy.

The Treasurer shall report on the debt portfolio as required in Section 7.0 of this Policy.

The Agency Risk Manager shall report deviations from this Policy to the Audit and Risk Oversight Committee (AROC).

2.0 Scope and Authority

FMPA has the authority to undertake and finance projects including, among other things, to plan, finance, acquire, construct, reconstruct, own, lease, operate, maintain, repair, improve, extend, or otherwise participate jointly in those projects and to issue debt obligations for the purpose of financing or refinancing the costs of such projects. The debt management program shall further conform to all federal, state, and local legal requirements governing the issuance and management of debt.

The Board of Directors or Executive Committee, respectively, is responsible for the approval of all forms of FMPA debt issuance and the details associated therewith. The General Manager has ultimate responsibility for administration of FMPA’s financial policies. The Assistant General Manager and CFO or designee coordinates
the administration and issuance of debt, and is responsible for the attestation of financial disclosure and other bond related documents. The Assistant General Manager and CFO or designee, in consultation with the Debt Financing Team, must also recommend to the General Manager and appropriate governing body the selection of any external agents, review proposed annual capital expenditures and financing plans, and recommend specific projects for debt financing.

3.0 Types of Debt Issuance Risk

This Policy is intended to guide the types of debt issued, given FMPA’s risk tolerance and awareness of market fluctuations, capital market outlooks, future capital needs, tax implications, rating agency considerations, and industry competition. The Assistant General Manager and CFO will cause Debt Management Procedures to be created that identify risks in the areas noted below and provide ways to measure, control and mitigate FMPA’s exposure to those risks. The FMPA Risk Management Policy identifies ten risks composing FMPA’s common risk framework. While not intended to be a comprehensive listing of risks encountered by FMPA during the normal course of the business cycle, the framework provides insight into the major areas of risk exposure for FMPA. The following selected framework risks are those risks presented by typical debt management and interest rate hedging activity.

3.1 Market Risk: The risk of potential change in the value of a portfolio caused by adverse changes in market factors. When considering debt management including interest rate hedging, the types of market risk that FMPA is most exposed to are interest rate risk and basis risk. An example of interest rate risk occurs when a change in interest rates inversely affects a bond’s value, such as when higher interest rates cause bond value to fall. This risk can be reduced by diversifying (issuing fixed rate debt with different durations) or hedging (such as interest rate swaps). An example of basis risk can occur in a floating-to-fixed rate swap when there is a difference between the interest rate paid on
variable rate demand obligations and the rate received from the swap counterparty. This mismatch in rates could cause higher than expected interest rate costs.

### 3.2 Credit Risk:
The potential of financial losses due to the failure of counterparties to fulfill the terms of a contract on a timely basis. When considering debt management including interest rate hedging, the types of credit risk that FMPA is most exposed to are counterparty risk and concentration risk. An example of counterparty risk would be if FMPA depends on the performance of a counterparty to provide interest payments under a swap agreement. The failure of that counterparty to make interest payments as required under the swap agreement might expose FMPA to current market conditions, which may or may not be favorable at the time of non-performance. An example of counterparty concentration risk might occur if a counterparty with several swap agreements fails to make required payments. This failure might cause FMPA to terminate several swap agreements and again expose FMPA to market conditions on a greater scale.

### 3.3 Regulatory Risk:
The potential adverse impact of an action or direction from an administrative body such as, but not limited to, FERC, DOE, or Treasury Department. An example of regulatory risk might occur if tax laws are changed, and the Agency becomes ineligible to issue tax-exempt debt. This change would expose the Agency to the market rate for taxable debt and increase the cost of debt issuance.

### 4.0 Debt Issuance

Effective debt management includes an analysis of what level of debt is acceptable given a particular set of circumstances and assumptions. FMPA’s debt portfolios shall contribute to the goal of maintaining at least “A-“ or “A3” credit ratings, in
coordination with strategic plans and member needs. Management of the Agency’s credit ratings is addressed in the FMPA Risk Management Policy.

FMPA may consider issuing bonds, short term debt, and other debt instruments as allowed by law and subject to the approval of the appropriate governing body. Debt may only be issued for capital projects with asset lives of five years or more. Short term capital needs should be provided for in the budget process. The use of subordinated debt, capital leasing, certificates of participation, and capital appreciation bonds (zero coupon bonds) require special scrutiny by the Debt Financing Team.

4.1 Debt Financing Team: A team of FMPA staff and advisors shall determine the details of all debt transactions to be proposed to and approved by any governing body. The Debt Financing Team shall at a minimum consist of the following members:

- Assistant General Manager and CFO (Chairperson)
- Treasurer
- General Counsel
- Risk Management Department Representative
- System Planning Manager (as necessary)
- FMPA’s Financial Advisor
- FMPA’s Swap Advisor (as necessary)
- Bond Counsel (as necessary)

The Debt Financing Team shall ensure that any proposed debt issuance complies with the requirements of this Policy. The CFO, as Chairperson of the Debt Financing Team, shall present all Debt Financing Team recommendations to the General Manager.
4.2 **Types of Debt:** FMPA’s capital structure may consist of fixed rate and variable rate debt in traditional as well as synthetic form, along with hedging instruments such as interest rate swaps, caps, collars and other non-speculative derivative products. The Debt Financing Team shall fully explain the risks associated with any given structure and the financial instruments used to those who must decide and approve any final financing structure.

The debt mix for each of FMPA’s projects shall be measured at the time of each debt issuance and compared to limits below. The governing body issuing debt may approve exceeding limits when a particular type of debt issue would be prudent given market conditions.

Limits for each Project are shown in Appendix B of this Debt Policy.

4.3 **Structure:** The following structuring guidelines shall govern the issuance of new money financing:

- The maturity of debt shall be less than or equal to the useful economic life of the item financed, not to exceed the remaining length of relevant Participant contracts. The table below shows the assumed useful economic life for different types of financed generation assets to be used at time of debt issuance:

<table>
<thead>
<tr>
<th>Financed Generation Assets</th>
<th>Useful Economic Life</th>
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<tbody>
<tr>
<td>Combined-Cycle</td>
<td>30</td>
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<tr>
<td>Combustion Turbine</td>
<td>25</td>
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<tr>
<td>Coal Plant</td>
<td>30</td>
</tr>
<tr>
<td>Nuclear</td>
<td>30</td>
</tr>
<tr>
<td>Photovoltaic</td>
<td>25</td>
</tr>
</tbody>
</table>
Exceptions may be approved by the appropriate governing body. The Power Resources Division shall determine the useful economic life of financed generation assets not contained in the table above.

- The use of a cash funded debt service reserve shall always be evaluated against the use of a surety or other debt service reserve product.
- The Debt Financing Team shall evaluate the costs and benefits of call provisions for each debt issue.
- Non-rated securities may be issued if obtaining a credit rating on the issue does not perform any economic benefit or add any value to capital market participants.

4.4 Tax Status: FMPA may issue either taxable or tax-exempt debt. The Debt Financing Team shall consider the economic value of tax status and on the advice of legal counsel recommend a taxable or tax-exempt debt issuance, unless a taxable debt issuance is required by law.

4.5 Credit Enhancement: The use of credit enhancement (including bond insurance, letter of credit, and other securitization products) shall be evaluated on a maturity-by-maturity basis. The Debt Financing Team shall analyze the benefits and costs of issuing debt without credit enhancements, with consideration of the risks and restrictions of using credit enhancement. Credit enhancement shall only be used when the benefits exceed the costs. Post-issuance, the Treasurer shall monitor any credit enhancement associated with variable-rate debt for possible effects on credit or basis risk.

4.6 Methods of Sale: FMPA’s policy is to sell public debt using the method of sale expected to achieve the best result, taking into consideration short-term and long-term implications. Decisions on selecting either a competitive or negotiated sale are the responsibility of the Debt Financing Team. The Debt Financing Team shall evaluate whether to seek funding by way of a private placement or bank loan where the size of the borrowing does not justify the
incurrence of typical bond issuance expenses or market conditions favor such funding. The Assistant General Manager and CFO and FMPA’s Financial Advisor if used shall compare the overall costs of a private placement with those of a public offering and recommend the most cost effective approach.

4.7 **Debt Service Coverage:** Debt service coverage shall conform to bond resolutions and remain at or above those levels to ensure that FMPA’s credit rating is not diminished.

4.8 **Refunding Bonds:** Refunding bonds may be issued to achieve debt service savings on outstanding bonds by redeeming high interest rate debt with lower interest rate debt. Refunding bonds may also be issued to restructure debt or modify covenants contained in the bond documents. Current tax law limits to one time the issuance of tax-exempt advance refunding bonds to refinance bonds issued after 1986. There is no similar limitation for tax-exempt current refunding bonds.

4.8.1 **Structure:** The life of the refunding bonds shall not exceed the remaining life of the assets financed. Refunding bonds should generally be structured to achieve the desired objectives of the authorizing governing body.

4.8.2 **Present Value:** Refunding bonds issued to achieve debt service savings should have a minimum target savings level measured on a present value basis equal to 3% of the par amount of the bonds being refunded. The 3% minimum target savings level for refundings should be used as a general guide to guard against prematurely using the one advance refunding opportunity for post-1986 bond issues. However, because of the numerous considerations involved in the sale of refunding bonds, the 3% target shall not prohibit refundings when the circumstances justify a deviation from the guideline.
4.9 **Defeasance:** Defeasance is a provision that allows the exchange of one type of collateral, such as pledged revenues for another type of collateral (for FMPA usually treasury securities), where the borrower sets aside cash or bonds sufficient to service the borrowers’ debt. FMPA may use this tool when financially beneficial and as allowed by bond covenants. Allowable securities would be purchased by FMPA and held by an Escrow Agent, with the principal and interest earned on the securities sufficient to meet all payments of principal and interest on the outstanding bonds when they become due.

5.0 **Interest Rate Hedging**

FMPA and its Projects are exposed to volatility in interest rates both during the period between a known capital project and its associated debt issuance and with the issuance of any variable interest rate debt. Management defines interest rate hedging as balancing gains and losses to an asset by taking offsetting positions in a derivative product. FMPA’s business purpose for the interest rate hedging program is to balance taking measured risk with facilitating the lowest reasonable cost of capital. FMPA will not enter into hedging transactions that have no authorized business purpose, as determined by the Debt Financing Team and affirmed by appropriate governing body.

The use of interest rate swaps and any other derivative instruments such as interest rate caps or collars shall only be upon the express approval of the appropriate governing body, and pursuant to the requirements of this Policy. The CFO, as Chairperson of the Debt Financing Team, shall present all interest rate hedging related Debt Financing Team recommendations to the General Manager before such recommendations are made to any governing body.
The CFO, in consultation with the Debt Financing Team, shall ensure active oversight of the interest rate hedging program according to these standards. See Section 7.0 for reporting requirements.

5.1 Hedging Objectives: FMPA’s objective for interest rate hedging is to manage interest rate risk for each Project’s debt portfolio. The benefits and risks of a specific interest rate hedge should be compared to fixed rate bonds or future interest rate projections, with consideration that an expected lower interest cost should be obtained if the derivative product contains an element of basis risk or if the product is long-dated (greater than 10 years in duration).

5.2 Transaction Management: The Debt Financing Team shall review any interest rate hedging transaction before it is presented to a governing body for consideration. The Debt Financing Team shall specifically review:

- Purpose of proposed interest rate hedge
- Type of interest rate hedge instrument and counterparty(s) to be used
- Duration of interest rate hedge
- Expected results and probabilities of achieving those results
- Risks of the interest rate hedge strategy or transaction

As Chairperson of the Debt Financing Team, the Assistant General Manager and CFO or designee shall notify rating agencies, applicable insurers and other interested parties before entering into an interest rate swap agreement.

The Treasurer shall notify the Debt Financing Team of any collateral calls and/or collateral returns within 1 business day.

5.3 Counterparty Risk: Interest rate swap counterparties must have long-term bond ratings of A1/A+ or higher when the interest rate swap transaction is entered into. Where possible, counterparties shall be required to collateralize
their obligations if their ratings are down-graded below the counterparty’s rating at the time the interest rate swap is entered into, dependent upon the specific terms of the approved ISDA agreement. Interest rate hedging counterparties must be specifically approved by the appropriate governing body.

The Assistant General Manager and CFO shall report any interest rate swap transaction default by or with a counterparty to the Debt Financing Team, General Manager and AROC, EC and BOD chairs within 1 business day.

5.4 Hedging Criteria: Products shall be favored which have well-established and liquid markets to facilitate liquidity of the hedging contract. Interest rate hedging products can be transacted on a negotiated or competitive basis, as determined by the Debt Financing Team. Interest rate swap agreement documentation shall include a standard ISDA Master Agreement, a Schedule to the Agreement, a Credit Support Agreement or Guarantee (if required) and trade confirmations as the primary documents for terms and conditions.

5.5 Diversification: No more than 35% of a Project’s total debt shall be hedged with interest rate swaps, caps or other hedging instruments, in the aggregate, with any one provider, to be measured at the time of purchase and annually thereafter as detailed in Section 7.1. In the event that a particular provider exceeds the 35% maximum, the Assistant General Manager and CFO shall cause such condition to be reported to the AROC and submit for approval a strategy for addressing that condition.

5.6 Termination: FMPA shall include in each interest rate swap agreement a provision that permits it to terminate the swap at a negotiated spread to mid-market value of the agreement at any time at its option. The appropriate governing body must approve the initiation of optional termination by FMPA. In general, FMPA shall not agree to terms that permit a counterparty to
terminate a swap at its unconditioned option unless giving the counterparty such right is in the best interest of FMPA, taking into consideration the purposes for and circumstances under which the Agency is entering into the swap. Criteria for termination/default events are found in each specific ISDA agreement.

5.7 **Collateral at Risk:** The Assistant General Manager and CFO shall cause any amounts posted for interest rate hedging collateral to be reported to the AROC at each regular meeting along with a strategy for handling the collateral at risk level. Such strategy shall consider liquidity requirements, termination costs, rating downgrade posting thresholds, and impact on rates. Amounts posted for collateral shall also be included in the monthly swap report detailed in Section 7.1 below.

5.8 **Dodd-Frank ISDA Compliance:** The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and the implementing U.S. Commodity Futures Trading Commission (CFTC) regulations, including external business conduct standards applicable to FMPA, impose a number of new compliance obligations on FMPA in regards to providing information about its swap agreements. This section of the Debt Risk Management Policy is specifically focused on the Dodd-Frank Act compliance responsibilities of FMPA staff.

5.8.1 **Recorded Communication:** Each person at FMPA that enters into discussions with a swap counterparty regarding a swap transaction or the master agreement (including the related schedule and credit support annex, if applicable) that governs such swap transaction acknowledges and agrees that the discussions will be recorded by the swap counterparty and consents to the recording and agrees to sign an annual acknowledgement form stating that they acknowledge that they
have read and understand the policies and procedures regarding discussions of swap documentation.

5.8.2 **Dodd-Frank Supplement:** FMPA will take the necessary steps to comply with its representations, agreements and notice requirements in the ISDA August 2012 DF Supplement, published on August 13, 2012 by the International Swaps and Derivatives Association, Inc., and in any other ISDA protocol documentation entered into by FMPA (directly or through incorporation by reference into existing ISDA master agreements) from time to time.

5.8.3 **Qualified Independent Representative** FMPA will enter into a contract with a firm or firms that will have the qualifications to act as a qualified independent representative to FMPA in accordance with the requirements of CFTC Regulation §23.450 and its related safe harbor provisions and in such contract such firm or firms will make representations and provide agreements to satisfy the requirements and safe harbors of CFTC Regulation §23.450 in a manner satisfactory to FMPA.

5.8.3.1 FMPA shall utilize the services of such qualified independent representative when entering into, modifying or terminating (in whole or in part) any swap transactions.

5.8.3.2 FMPA shall monitor the continued performance of each qualified independent representative by requesting certifications on no later than an annual basis from each qualified independent representative restating that the representations and agreements in in the contract described in (5.8.3) above are true and correct and that no breach of the contract has occurred and by requiring in the contract described in (5.8.3) above prompt notice by the qualified independent representative of any failure of a representation or agreement to be true and correct.
6.0 Internal Controls

The Assistant General Manager and CFO shall cause to be established a system of written internal controls to manage debt issuance and related activities, consistent with this Policy and Debt Management Procedures, and in accordance with all policies and procedural guidelines established in the FMPA Risk Management Policy. FMPA will continue to commit the resources necessary to debt management activities to be viewed by investors in the most favorable light, doing so with highest ethical principles, and consistent with all applicable rules and laws.

The Assistant General Manager and CFO or designee is responsible for issuance of debt. Accounting staff shall maintain accounting records for debt transactions, but shall not have any responsibility for the process of financing assets.

6.1 Policy and Procedure Compliance: The Agency Risk Manager shall cause compliance with this Policy and associated Procedures to be monitored on an ongoing basis. This shall include a review of policy compliance following each debt issuance. Any unresolved compliance issues will be presented to the AROC by the Agency Risk Manager.

6.2 Post Issuance: Following the issuance of bonds for any project, the Treasurer shall cause the following requirements to be met:

- Primary Disclosure: As required by the Florida Division of Bond Finance.
- Continuing Disclosure: MSRB/EMMA as required, in compliance with SEC rule 15c2-12 concerning primary and secondary market disclosure.
- Arbitrage Rebate Reports: To be completed annually by a qualified third party. Amounts calculated as liabilities will be reported in the annual audited financial statements. Rebate payments, if required, will be paid for each bond issue as required by regulatory requirements.
• Investor Relations: See the Accounting, Internal Controls & Audit Policy, Appendix J of the FMPA Risk Management Policy, for financial reporting requirements.

• Economic Life Evaluation: Treasurer shall provide outstanding debt information in a timely manner to the Power Supply System Planning Manager for any required evaluations of outstanding term to remaining economic life per the Power Supply & Resource Planning Policy, Appendix H of the FMPA Risk Management Policy.

6.3 Off-Balance Sheet Debt Obligations: During the normal course of business, and subject to other requirements, FMPA may enter into off-balance sheet debt obligations. The manager of any such obligation shall report the item at the next regular AROC meeting when: either the length of the obligation exceeds one year or the value exceeds $1,000,000. The AROC shall use the Credit Risk Policy in determining if further examination of the counterparty to the off-balance sheet debt obligation is necessary.

7.0 Reporting

Required reports shall be obtained from information maintained in treasury database software (such as Integrity) which is subject to Risk Management mid-office oversight. Reports not obtained from such software shall be subject to additional oversight as deemed appropriate by the Agency Risk Manager.

7.1 Debt Portfolio Reports: The Treasurer is responsible for completion of the following reporting requirements:

A. Swap report to be posted monthly on the Member website to include at a minimum:
1) Description of each interest rate swap agreement, including at a minimum the effective date, notional amount, pay and receive coupon rates, and counterparty.

2) Market value as of report date from independent third party source (such as Bloomberg or FMPA’s swap advisor). Value per counterparty may be used when independent market value is not widely obtainable.

3) Collateral posting thresholds per counterparty.

4) Collateral posted with or by counterparties.

5) Interest earned on collateral postings.

B. Annual debt report to Executive Committee and Board of Directors at their first regular meetings following approval of audited financial statements. Such annual debt reports shall include at a minimum:

1) Percentage of portfolio that is fixed rate, variable rate, and synthetic fixed rate at fiscal year end.

2) Total cost of debt (effective interest rate) per Project for the previous fiscal year.

3) Interest rate swap counterparty diversification report.

7.2 Post-closing Report: The Assistant General Manager and CFO, as chairperson of the Debt Financing Team, is responsible for completion of a post-closing debt report. Such report shall be made to the appropriate governing body at their next regular meeting following closing of a debt financing transaction. The report shall include, at a minimum, total cost of debt financing, type of debt issued and effect on portfolio mix, any associated interest rate swaps, any credit enhancement, method of sale, and underwriter diversification for the Project.

The Agency Risk Manager 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 as described in Section 7.0 of the FMPA Risk Management Policy. The Treasurer shall report on the current risk environment affecting FMPA’s debt outstanding to the Debt Financing Team as needed, which shall engage any necessary discussion before recommending action to the appropriate governing body.
### Florida Municipal Power Agency

**Risk Management Reporting Calendar**

#### Debt Management Reporting Requirements

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<td>Section 7</td>
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<td>Recording consent form</td>
<td>Annually</td>
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<td>Section 5.8</td>
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<td>QIR qualification attestation</td>
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<td>Upon debt issuance</td>
<td>CFO</td>
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<tr>
<td>Off-Balance Sheet Obligations</td>
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<tr>
<td>Deviation from Policy</td>
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<td>Section 7</td>
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</tr>
<tr>
<td>Policy Operating and Effectiveness</td>
<td>Annually</td>
<td>AROC</td>
<td>Section 7</td>
<td>Reporting</td>
</tr>
</tbody>
</table>
Appendix B

The table below shows the approved debt portfolio mix as described in Section 4.2 of this Debt Risk Management Policy.

<table>
<thead>
<tr>
<th></th>
<th>Minimum Fixed Rate</th>
<th>Maximum Fixed Rate</th>
<th>Maximum % of Debt w/ Interest Rate Swaps</th>
</tr>
</thead>
<tbody>
<tr>
<td>All-Requirements Project</td>
<td>60%</td>
<td>100%</td>
<td>25%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Minimum Fixed Rate</th>
<th>Maximum Fixed Rate</th>
<th>Maximum % of Debt w/ Interest Rate Swaps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stanton Project</td>
<td>60%</td>
<td>100%</td>
<td>25%</td>
</tr>
<tr>
<td>Stanton II Project</td>
<td>60%</td>
<td>100%</td>
<td>25%</td>
</tr>
<tr>
<td>St. Lucie Project</td>
<td>60%</td>
<td>100%</td>
<td>25%</td>
</tr>
<tr>
<td>Tri-City Project</td>
<td>60%</td>
<td>100%</td>
<td>25%</td>
</tr>
</tbody>
</table>
Selection of Bond Professionals Recommendation for Finding No. 10:

“To ensure that qualified financial and professional services are acquired at the lowest possible cost consistent with the size, nature, and complexity of the bond issue, the FMPA should select financial advisors and bond counsel using a competitive selection process whereby RFPs or RFQs are solicited from a reasonable number of professionals.”

1. The Debt Policy to be updated to include language requiring competitive selection of financial advisors, bond counsel and any other bond services professionals:

Current: There currently is not language in the Debt Policy related to the selection of debt related professionals.

Revised: Insert into the existing Debt Policy as the new #3.0. “Selection of Bond Professionals” and renumber existing sections. The language of this new section would read as follows:

“3.0 Selection of Bond Professionals

The issuance of bonds or debt in any form is a significant event and should be managed in a way to protect FMPA from any number of risks. Engaging competent professionals is a key step in mitigating such risks. Underwriters, bond counsel, financial and swap advisors, trustees, and arbitrage/rebate consultants are key advisors in a successful issuance process.

FMPA staff will cause a competitive selection process to occur for all professionals associated with FMPA’s debt using a request for proposal (RFP) or request for qualification (RFQ) as appropriate. The RFP or RFQ should describe the scope of services desired, the length of the engagement, evaluation criteria, and the selection process. All legal requirements, from any entity or document, must be complied with. Best practices recommendations of relevant professional bodies should be considered in the development of the RFP or RFQ as well as in the selection process.

3.1 Qualifications: The selected individual or firm shall have a well-established practice at a level of sophistication and standing in their respective field of practice commensurate with FMPA’s needs, the Bond Resolution and any other relevant legal document(s) or requirements imposed by external entities such as the Securities and Exchange Commission (SEC), the Municipal Securities Rulemaking Board (MSRB) and the Commodity Futures Trading Commission (CFTC) as examples. Sufficient depth of staff should be present in order to ensure timely and consistent professional service when such services are required.

3.2 Selection: Qualified individuals or firms will be invited to submit a proposal for professional services to be considered for selection. The proposal response must document the
individual’s or firm’s qualifications, registrations, applicable experience, knowledge of FMPA and its issues or practices, any sanctions or warnings from any relevant professional bodies, insurances in force, and fee structures. The proposals will be evaluated by staff, ranked and provided to the Audit and Risk Oversight Committee (AROC) with a recommendation. FMPA staff shall provide submitted proposals and the staff’s rankings to the AROC. The AROC shall select an individual(s) or firm(s) to be recommended to the Board of Directors and Executive Committee for final approval.

Where the Debt Financing Team (Finance Team) is asked to participate in staff’s evaluation and rankings and a member of the Finance Team is submitting a proposal, they must be excused from the evaluation and ranking process to maintain independence in the process. By current Policy, FMPA’s Financial Advisor, Swap Advisor and Bond Counsel are named members of the Finance Team.

3.3 Term of service: The individual or firm shall be selected for no more than a five year term. The selected individual or firm shall perform the services requested on a negotiated fee basis.”
AGENDA ITEM 8 – INFORMATION ITEMS

d. Update on Auditor General Finding No. 4 – Investment Policy

Board of Directors Meeting
April 16, 2015
AGENDA PACKAGE MEMORANDUM

TO: Executive Committee
FROM: Nicholas Guarriello/Mark Larson
DATE: April 7, 2015
ITEM: EC 10g and BOD 8d – Update on Auditor General Finding No. 4 – Investment Policy

Strategic Relevance

FMPA’s Relevant Strategic Goals
1. Be the lowest cost wholesale electricity provider in Florida

Introduction

The Auditor General’s Operational Audit Finding No. 4 recommendation states:

“The FMPA should enhance its investment policy to clarify the application of credit ratings. Additionally, the FMPA should enhance its investment policy to clarify that the investment diversification requirements are to be applied at the individual project level and to establish requirements for geographical diversification.”

Essentially, the Auditor General suggests enhancing FMPA’s existing Investment Policy (Attachment 1) in three ways:

1. Clarify the meaning of “two highest credit rating categories”
2. Clarify that the Investment Policy applies at the Project level or Agency-wide level
3. Establish an investment limit based on geography for the sake of creating diversity around this characteristic of the issuer

This memo reports current status of staff and the Finance Team’s work on this recommendation.

Discussion

The Finance Team has discussed each of the recommendations in Finding No. 4 and is in support of the approaches shown on Attachment 2.

A recommendation for action on these Investment Policy changes will be brought back to the Executive Committee and Board of Directors in May.

Recommended Action

No action needed, item is for information only.
# RISK MANAGEMENT POLICY
## APPENDIX C
### FLORIDA MUNICIPAL POWER AGENCY
#### INVESTMENT 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 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 into place, such as those more fully described in Sections 4.0 and 5.0 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 Board of Directors and Executive Committee that:

- The investment program shall conform to all federal, state, and local legal requirements.
- Authority is delegated to the Assistant General Manager and CFO to create procedures to administer this Policy.
- The preservation of capital is the foremost objective of the risk-considered investment practice strategies.
- Investment in derivatives is prohibited unless specifically approved by the Executive Committee or Board of Directors.
The Assistant General Manager and CFO shall establish benchmarks against which portfolio performance shall be compared regularly.

Authority is delegated to the Assistant General Manager and CFO to establish a system of written internal controls to regulate investment activities.

The Treasury Manager shall provide investment reports for each regular meeting of the Executive Committee and Board of Directors.

Deviations from this Policy shall be reported to the Audit and Risk Oversight Committee (AROC).

This Policy is created to ensure the prudent management of the Agency’s and its Projects’ funds, and the availability of operating funds and capital funds as needed. This Policy applies to all monetary assets of the Agency and all Projects with the exception of pension funds, Decommissioning Funds managed for six Crystal River III participants, and Project Funds held in the Pooled Loan Program. The Agency’s employees’ pension funds are placed with a third party administrator and are self-managed by the employees. The Decommissioning Funds for the Crystal River III participants are invested in accordance with the Trust Fund Agreement and the instructions given FMPA by the Crystal River Participants. Pooled Loan Proceeds funds are the property of the Project Participant and invested according to their instruction.

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 Board of Directors or Executive Committee. Responsibility for investment decisions, including day-to-day transactions undertaken, is hereby delegated to the Treasury Manager, under the direction of the Assistant General Manager and 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, Assistant General Manager and CFO, Assistant General Manager Power Resources, Assistant General Manager Member Services and Information Systems, and Assistant General Manager Public Relations/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 Treasury 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 Assistant General Manager and CFO will cause Treasury 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 selection 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 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 Executive Committee or Board of Directors. 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 Treasury Manager must report to the RMD on a monthly basis any security whose rating has fallen below the Appendix A allowed rating after purchase and submit a rationale for maintaining the security if it has not been sold.

5.1 Authorized Financial Institutions, Depositories, and Broker/Dealers: The Treasury Manager will cause to be maintained a list of financial institutions and depositories that meet the qualifications detailed in the Treasury Procedures and are authorized to provide investment services. An annual
(each fiscal year) review of the financial condition of all qualified financial institutions and broker/dealers will be conducted in accordance with Treasury 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 offered, the bids 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:
<table>
<thead>
<tr>
<th>Fund/Account</th>
<th>Invested to Mature as Shown</th>
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</thead>
<tbody>
<tr>
<td><strong>Operations and Maintenance Fund</strong></td>
<td></td>
</tr>
<tr>
<td>1. Operations and Maintenance Account</td>
<td>Within 12 months from investment date. (Depends on cash flow needs)</td>
</tr>
<tr>
<td>2. Working Capital Account</td>
<td>Within 5 years.</td>
</tr>
<tr>
<td>3. Rate Stabilization Account</td>
<td>Within 5 years.</td>
</tr>
<tr>
<td><strong>Debt Service Fund</strong></td>
<td></td>
</tr>
<tr>
<td>1. Debt Service Account</td>
<td>Not later than when needed for payment to be made from such Account.</td>
</tr>
<tr>
<td>2. Debt Service Reserve</td>
<td>Not later than the final maturity date of any Bonds that are outstanding.</td>
</tr>
<tr>
<td>3. Subordinated Debt Fund</td>
<td>Not later than when needed for payment to be made from such Account.</td>
</tr>
<tr>
<td><strong>Construction Fund or Proceeds Fund</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Not later than when needed for payments to be made from such fund.</td>
</tr>
<tr>
<td><strong>Reserve and Contingency Fund</strong></td>
<td></td>
</tr>
<tr>
<td>1. Contingency Account</td>
<td>Within 5 years.</td>
</tr>
<tr>
<td>2. Renewal and Replacement</td>
<td>Within 5 years.</td>
</tr>
<tr>
<td><strong>General Reserve Fund</strong></td>
<td></td>
</tr>
<tr>
<td>1. General Reserve Account</td>
<td>Within 5 years or when needed to make payments.</td>
</tr>
<tr>
<td><strong>Decommissioning</strong></td>
<td>Not later than when needed. (Applicable only to St. Lucie)</td>
</tr>
</tbody>
</table>

5.4 **Collateralization:** Collateralization, as detailed in the Treasury 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 or maturities. Compliance with 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 Treasury Manager
must report such deviation to the RMD and submit for approval a strategy for handling each such deviation.

<table>
<thead>
<tr>
<th>Diversification by Investment Type:</th>
<th>Percentage at time of purchase:</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Treasury Obligations</td>
<td>100%</td>
</tr>
<tr>
<td>Municipal Bonds (including FSA/FDA)</td>
<td>100%</td>
</tr>
<tr>
<td>US Gov. Agency and US Gov. Sponsored Instrumentality</td>
<td>100%</td>
</tr>
<tr>
<td>Banker’s Acceptances</td>
<td>50%</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>50%</td>
</tr>
<tr>
<td>Florida Local Government Surplus Fund Trust Fund (SBA)</td>
<td>50%</td>
</tr>
<tr>
<td>Local Government Investment Pools</td>
<td>25%</td>
</tr>
<tr>
<td>Collateralized CDs and Time Deposits</td>
<td>25%</td>
</tr>
<tr>
<td>Money Market Mutual Funds</td>
<td>25%</td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>20%</td>
</tr>
<tr>
<td>Guaranteed Investment Contracts (GICs)</td>
<td>15%*</td>
</tr>
</tbody>
</table>

* Or as approved by the Executive Committee or Board of Directors

<table>
<thead>
<tr>
<th>Diversification by Institution:</th>
<th>Percentage at time of purchase:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money Market Mutual Fund</td>
<td>25%</td>
</tr>
<tr>
<td>US Gov. Agency by Agency</td>
<td>25%</td>
</tr>
<tr>
<td>Municipal Bonds by Issuer</td>
<td>20%</td>
</tr>
<tr>
<td>Commercial Banks (CDs, Time Deposits, or Commercial Paper)</td>
<td>10%</td>
</tr>
<tr>
<td>Bankers’ Acceptance by Bank</td>
<td>10%</td>
</tr>
</tbody>
</table>

5.5.1 Exceptions: The Assistant General Manager and CFO has authority to approve exceptions to required diversification if one institution is able to achieve some economies of scale which will benefit FMPA. Such exceptions must be reported to the AROC within five business days. Diversification percentages can also be exceeded by the Executive
Committee or Board of Directors through approval of proposed investment agreements.

5.6 Brokerage Accounts Equity Balance: To maximize interest earning inflows, excess equity above the required margins or minimum balance in the brokerage futures account (i.e. Calyon) 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 Assistant General Manager and 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 Assistant General Manager and 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 of Auditing Standards No. 70, or SAS 70). The Treasury Manager will provide this report, upon receipt, to the RMD.

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 Assistant General Manager and 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 Treasury Procedures.

Any external investment managers, if hired, shall not independently select benchmarks. All benchmarks used by external investment managers must be approved by the Assistant General Manager and 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 Assistant General Manager and CFO shall cause to be established a system of written internal controls to regulate investment and related activities, consistent with this Policy and Treasury 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 Assistant General Manager and CFO and the Treasury Manager, 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 Treasury 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, to include controls within Treasury software programs.
8.1 **Conflicts of Interest:** The Assistant General Manager and CFO, Treasury Manager, Treasury Analysts, and other staff involved in investment decisions shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions and shall disclose personal financial interests as detailed in the Treasury Procedures.

8.2 **Policy and Procedure Compliance:** Risk Management staff shall monitor compliance with this Policy and Treasury Procedures. Any unresolved compliance issues will be presented to the AROC by the Risk Management Manager.

8.3 **External Parties:** All dealers, financial institutions, investment managers, or individuals investing on behalf of FMPA will be sent a copy of the Investment Policy by the Treasury Manager, along with a list of employees 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 be adhered to. FMPA will pursue full recovery of associated costs resulting from deviations from the Investment Policy.

8.4 **Continuing Education:** The Assistant General Manager and CFO, Treasury Manager and other appropriate investment staff will be required to complete annually (each fiscal year) 8 hours of continuing professional education (CPE’s), or as required by State Regulations, in subject courses of study related to investment products.

9.0 **Reporting**

The Treasury Manager will produce investment reports in accordance with Treasury Procedures and provide these reports to the General Manager and Assistant General
Manager and CFO as and when requested, but for no less than each meeting of the Board of Directors or Executive Committee.

The Assistant General Manager and 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 Audit and Risk Oversight Committee as described in Section 7.0 of the FMPA Risk Management Policy. The Treasury Manager shall report on the current risk environment affecting FMPA’s investment program to the RMD as needed, and engage any necessary discussion before moving items to the FAC or AROC.
**ACCURED 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.

**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.

**COUPON RATE:** The amount of interest return based upon par value which the issuer agrees to pay the bondholder.
Investment Glossary
(See Also Glossary of Terms in FMPA Risk Management Policy)

**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.
**Investment Glossary**

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

**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 call Public Housing Authority (PHA’s).

**OPEN MARKET OPERATIONS:** Purchases and sales of government 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, Pooled Loan.

**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.

**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.
# Appendix A

## Allowable Investments by Project

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

<table>
<thead>
<tr>
<th>Authorized Investments</th>
<th>Credit Rating/Security/ Collateral</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Non callable bonds or other obligations of any U.S. State, Agency, Instrumentality or local Gov. unit.</td>
<td>Guaranteed by cash or U.S. Gov. securities or rated in the highest category by a nationally recognized bond rating agency.</td>
</tr>
<tr>
<td>3. Bonds, debentures or other indebtedness issued or guaranteed issued by any Agency or Instrumentality of the United States of America.</td>
<td>Issued or guaranteed by any agency or corporation of the U.S. Gov.</td>
</tr>
<tr>
<td>4. New Housing Authority Bonds and Project Notes fully secured as to payment of the principal and interest by a pledge of annual contributions under an Annual Contributions Contract of Contracts with the United States of America issued by public agencies or municipalities.</td>
<td>Fully secured by payment agreement with U.S. Gov.</td>
</tr>
<tr>
<td>5. Direct and general obligations of any State, Agency or Instrumentality of the U. S. or any agency, instrumentality or local government.</td>
<td>Rated in either of the two highest credit rating categories.</td>
</tr>
<tr>
<td>6. Obligations of any state agency or instrumentality of the U.S. Gov.</td>
<td>Rated in either of the two highest credit rating categories.</td>
</tr>
<tr>
<td>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.</td>
<td>Unsecured, uninsured and unguaranteed debt issue ranked in the two highest rating categories.</td>
</tr>
<tr>
<td>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.</td>
<td>Guaranteed by the U.S. Gov.</td>
</tr>
<tr>
<td>9. Certificates of deposit and bankers acceptance of the 50 largest banks in the U.S. or commercial paper issued by the parent holding company.</td>
<td>Unsecured, uninsured and unguaranteed debt issue ranked in the two highest rating categories.</td>
</tr>
<tr>
<td>10. Commercial Paper other than that issued by a bank holding co.</td>
<td>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.</td>
</tr>
<tr>
<td>11. Repurchase agreements with banks or trust companies.</td>
<td>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.</td>
</tr>
<tr>
<td>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.</td>
<td>Of the 10 largest banks in Florida in terms of capital.</td>
</tr>
<tr>
<td>14. Certificates of Deposit and Bankers Acceptances.</td>
<td>Rated in the highest category of comparable types of obligations by each Rating Agency then maintaining a rating on the Bonds at the request of FMPA.</td>
</tr>
<tr>
<td>15. Money Market Funds.</td>
<td>Rated one of the two highest credit rating category.</td>
</tr>
<tr>
<td>16. Investment agreements or guaranteed investment contracts.</td>
<td></td>
</tr>
<tr>
<td>17. Any other investment in which the Issuer is authorized from time to time to invest under applicable law with respect to which an Authorized Officer of FMPA has, on or before the date thereof, delivered to the Trustee (a) a certificate designating the additional investment as an Investment Security and (b) a Rating Confirmation.</td>
<td></td>
</tr>
</tbody>
</table>

* List of 10 largest banks in Florida can be found at Federal Deposit Insurance Corporation website, www.fdic.gov.

Version 4 approved September 27, 2007
Edited committees May 15, 2009
Edited FMPA Risk Policy section number references 6.7.11
Appendix A
Allowable Investments by Project

Decommissioning Funds
St. Lucie Unit No. 2
As per Trust Fund Agreement dated July 6 1990
FMPA’s 8.806% ownership interest in St Lucie Unit No. 2
Refer to Bond Resolutions for detailed information on each category of allowable investments. Bond Resolution shall control.

<table>
<thead>
<tr>
<th>Authorized Investments</th>
<th>Credit Rating/Security/Collateral</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Securities or other obligations of the Federal, State government or any agency or instrumentality.</td>
<td></td>
</tr>
<tr>
<td>2. Time deposits or demand deposits of the Trustee.</td>
<td>Insured by an agency of the Federal Gov.</td>
</tr>
<tr>
<td>4. In accordance with instructions from FMPA subject to the provisions of Section 5 of the Trust Fund Agreement.</td>
<td></td>
</tr>
</tbody>
</table>
Appendix A  
Allowable Investments by Project

Pooled Loan Project  
As per Commercial Paper Note Resolution. Adopted 4/23/95, as amended and supplemented.

<table>
<thead>
<tr>
<th>Authorized Investments</th>
<th>Credit Rating/Security/ Collateral</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Non callable bonds or other obligations of any U.S. State, Agency, Instrumentality or local Gov. unit.</td>
<td>Guaranteed by cash or U.S. Gov.</td>
</tr>
<tr>
<td>3. Bonds, debentures or other indebtedness issued or guaranteed issued by any Agency or Instrumentality of the United States of America.</td>
<td>Issued or guaranteed by any agency of the U.S. Gov.</td>
</tr>
<tr>
<td>4. New Housing Authority Bonds and Project notes fully secured by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an Annual Contributions Contract or Contracts with the United States of America.</td>
<td>Fully secured.</td>
</tr>
<tr>
<td>5. Direct and general obligations of any State, Agency or Instrumentality of the U. S.</td>
<td>Rated in either of the two highest credit rating categories.</td>
</tr>
<tr>
<td>6. Obligations of any state or instrumentality of the U.S. Gov.</td>
<td>Rated in the highest credit rating category.</td>
</tr>
<tr>
<td>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.</td>
<td>Unsecured, uninsured and unguaranteed debt issue ranked in the highest rating categories.</td>
</tr>
<tr>
<td>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.</td>
<td>Guaranteed by the U.S. Gov.</td>
</tr>
<tr>
<td>9. Certificates of deposit and bankers acceptance of the 50 largest banks in the U.S. or commercial paper issued by the parent holding company.</td>
<td>Unsecured, uninsured and unguaranteed debt issue ranked in the two highest rating categories.</td>
</tr>
<tr>
<td>10. Commercial Paper other than that issued by a bank holding co.</td>
<td>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.</td>
</tr>
<tr>
<td>11. Repurchase agreements with banks or trust companies.</td>
<td>Bank or Primary dealer secured by securities describe under 1, 3, 4, 9, or 10 above.</td>
</tr>
<tr>
<td>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.</td>
<td>Or at least have a rating at least as high as the current rating on the Commercial Paper Notes.</td>
</tr>
<tr>
<td>14. Certificates of Deposit and Bankers Acceptances.</td>
<td>Of the 10 largest banks in Florida in terms of capital.</td>
</tr>
<tr>
<td>15. Any other securities permitted by law or ordinance which may be approved in writing by the Bank.</td>
<td></td>
</tr>
</tbody>
</table>

Refer to Bond Resolutions for a detailed description of allowable investments.
Decommissioning Funds
Crystal River Unit 3

As per Trust Fund agreement dated July 19, 1990, and Amendment dated March 24, 1992 and Resolution 90-e4.
Cities of Alachua, Bushnell, Gainesville, Leesburg, Ocala and Kissimmee Utilities Authority.

<table>
<thead>
<tr>
<th>Authorized Investments</th>
<th>Credit Rating/Security/ Collateral</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Securities or other obligations of the Federal, State government or any agency or instrumentality.</td>
<td></td>
</tr>
<tr>
<td>2. Time deposits or demand deposits of the Trustee.</td>
<td>Insured by an agency of the Federal Gov.</td>
</tr>
<tr>
<td>4. In accordance with instructions from FMPA subject to the provisions of Section 5 of the Trust Fund Agreement.</td>
<td></td>
</tr>
</tbody>
</table>
## Appendix A
### Allowable Investments by Project
#### Authorized Investments Summary

<table>
<thead>
<tr>
<th>Authorized Investments (Key: A: Agency, All Requirements, St. Lucie, Stanton, Stanton II, Tri-City, P: Pooled Loan Project)</th>
<th>A</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. U.S. Gov. obligations including Federal Agencies unconditionally guaranteed by the U.S. Gov. Guaranteed by the U.S. Gov.</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>2. Bonds or other obligations of any U.S. State, Agency, instrumentality or local Gov. unit. Guaranteed by cash or U.S. Gov.</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>3. Bonds, debentures or other indebtedness issued or guaranteed issued by any Agency or Instrumentality of the United States of America. Guaranteed by any agency of the U.S. Gov.</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>4. New Housing Authority Bonds and Project notes fully secured.</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>5. Direct and general obligations of any State, Agency or instrumentality of the U.S. Rated in either of the two highest credit rating categories.</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>6. Obligations of any State or instrumentality of the U.S. Guaranteed by any agency of the U.S. Gov. Rated in the highest credit rating category.</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>7. Certificates that evidence ownership of the right to payment as long as those certificates are those described above, under 1, and are held by a trust company or bank. Unsecured, uninsured and unguaranteed debt issue ranked in the highest rating categories.</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>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.</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>9. Certificates of deposit and bankers 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.</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>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.</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>11. Repurchase agreements with banks or trust companies organized under the laws of the USA or any national banking or Gov. bond dealer, recognized as a primary dealer. Primary dealer secured by securities described under 1, 3, 4, 9, or 10 above.</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>12. Shares of investment companies organized under Inv Co Act 1940 which invests its assets exclusively in obligations described under 1, 6, 9, 10 13, or 16.</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>14. Certificates of Deposit and Bankers Acceptances, of the 10 largest banks in Florida in terms of capital.</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>15. Repurchase agreements with banks or trust companies with primary dealers secured by securities described under 1, 3, 4, 9 or 10 above.</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>16. For a particular Series of Obligations any other securities permitted by law, ordinance or approved by credit facility provider.</td>
<td>-</td>
<td>Y</td>
</tr>
<tr>
<td>17. Shares of Investment Co. organized under Inv. Co. Act 1940 which invests in obligations described above under 1, 6, 9, 10 and 11.</td>
<td>Y</td>
<td>Y</td>
</tr>
</tbody>
</table>
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.
Appendix B
Flow of Funds Under the Resolution

Pooled Loan

The Resolution creates the following Funds and Accounts, all of which shall be held by the Trustee, with the exception of the CP Note Payment Fund which shall be held by the Issuing Agent, and with the exception of the LOC Fund and the CP Note Payment Fund, may be kept on the books of the Agency:

Project Fund

Revenue Fund
  Revenue Interest Account
  Project Expense Account
  Revenue Principal Account

Debt Service Fund
  Interest Account
  Bank Interest Account
  Principal Account

LOC Fund
  LOC Principal Account
  LOC Interest Account

CP Note Payment Fund
  Note Proceeds Account
  LOC Proceeds Account
  Revenue Account

The monies in all the Funds and Accounts are a part of the Trust Estate created by the Resolution.

Monies received by the Trustee from the Project Participants as Loan Repayments, which represent Loan principal amounts, shall be deposited in the Revenue Principal Account in the Revenue Fund. Monies received by the Trustee from the Project Participants as Loan Repayments, which represent Loan interest amounts allocable to interest accruing on Outstanding Notes, shall be deposited in the Revenue Interest Account in the Revenue Fund. Monies received by the Trustee from the Project Participants as Loan Repayments, which represent Loan interest amounts allocable to Project Expenses, shall be deposited in the Project Expense Account in the Revenue Fund. Monies received by the Trustee from the Project Participants under the Loan Agreements in respect of fees and expenses payable to FMPA or any Bank shall be paid upon receipt to FMPA or any Bank, respectively.

The LOC Fund is funded by draws on the Letter of Credit. The Debt Service Fund is funded with transfers from the Revenue Fund, sufficient to reimburse all draws on the Letter of Credit. The Commercial Paper Note Payment Fund is funded with the proceeds of the sale of commercial paper.
# Appendix C

## Florida Municipal Power Agency

### Risk Management Reporting Calendar

**Investment Management Reporting Requirements**

<table>
<thead>
<tr>
<th>Reporting Item</th>
<th>Frequency of Report</th>
<th>Responsible Party</th>
<th>Policy Reference</th>
<th>Link to Policy Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security Ratings Compliance</td>
<td>Monthly</td>
<td>Treasury Manager</td>
<td>Section 5</td>
<td>Authorized and Suitable Investment Securities</td>
</tr>
<tr>
<td>Financial Condition</td>
<td>Annually</td>
<td>Treasury Manager</td>
<td>Section 5.1</td>
<td>Authorized Financial Institutions, Depositories, and Broker/Dealers</td>
</tr>
<tr>
<td>Diversification Percentage</td>
<td>Monthly</td>
<td>Treasury Manager</td>
<td>Section 5.5</td>
<td>Diversification</td>
</tr>
<tr>
<td>SAS-70 Report for Trustees &amp; Custodians</td>
<td>Annually</td>
<td>Treasury Manager</td>
<td>Section 6</td>
<td>Safekeeping and Custody</td>
</tr>
<tr>
<td>Policy Compliance</td>
<td>As needed</td>
<td>Risk Management</td>
<td>Section 8.2</td>
<td>Policy and Procedure Compliance</td>
</tr>
<tr>
<td>Investment Reports</td>
<td>BOD/EC meetings</td>
<td>Treasury Manager</td>
<td>Section 9</td>
<td>Reporting</td>
</tr>
<tr>
<td>Policy Operation &amp; Effectiveness</td>
<td>Annually</td>
<td>The AROC</td>
<td>Section 9</td>
<td>Reporting</td>
</tr>
</tbody>
</table>
Attachment 2

Investment Recommendation for Finding No. 4:

“The FMPA should enhance its investment policy to clarify the application of credit ratings. Additionally, the FMPA should enhance its investment policy to clarify that the investment diversification requirements are to be applied at the individual project level and to establish requirements for geographical diversification.”

1. The Investment Policy would be revised to address clarification of the application of credit ratings in the investment decision as follows:

Current: “two highest credit rating categories” of Appendix A of the Investment Policy not defined

Revised: Add to the Investment Glossary: “Two highest credit rating categories” – means the two highest generic rating categories, (e.g., AAA and AA for Fitch), 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.

Table of ratings categories; partial listing of upper portion of complete table as herein needed:

<table>
<thead>
<tr>
<th>Moody’s</th>
<th>S&amp;P</th>
<th>Fitch</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aaa</td>
<td>P-1</td>
<td>AAA</td>
</tr>
<tr>
<td>Aa1</td>
<td>P-1</td>
<td>AA+</td>
</tr>
<tr>
<td>Aa2</td>
<td>P-1</td>
<td>AA</td>
</tr>
<tr>
<td>Aa3</td>
<td>P-1</td>
<td>AA-</td>
</tr>
<tr>
<td>A1</td>
<td>P-1</td>
<td>A+</td>
</tr>
<tr>
<td>A2</td>
<td>P-1</td>
<td>A</td>
</tr>
</tbody>
</table>

Please note, the table shown above is just part of a comprehensive ratings table in order to help note the Investment policy meaning of “two highest credit rating categories.”

2. The Investment Policy to clarify that investment diversification requirements are to be applied at the individual project level:

Current: no wording included in the Investment Policy as recommended

Revised: Add to Section 1.0 Policy Statement. Add recommended language shown in red below as follows:

“This Policy is created to ensure the prudent management of the Agency’s and its Projects’ funds, and the availability of operating funds and capital funds as needed. This Policy is to be applied individually by Project, not in any combination of Projects. This Policy applies to all monetary assets of the Agency and all Projects with the exception of pension funds, ....
3. The Investment Policy to establish requirements for geographical diversification as follows:

Current: no wording on geographical diversification requirements.

**Revised:** Add to the current diversification language of Investment Policy Section 5.5 and a table similar to the existing tables in Section 5.5 entitled “Diversification by Geographic Area.”

Current: [Section] 5.5 Diversification: FMPA must diversify to avoid incurring unreasonable risks associated with over-investing in specific investments, individual financial institutions or maturities.

**Revised:** [Section] 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, geographic areas.

Table addition:

<table>
<thead>
<tr>
<th>Diversification of Municipal Bonds (only) in the future by Geographic Area</th>
<th>Percentage at time of future purchase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal Bonds(^1) – by State of issuer</td>
<td>40(^2)</td>
</tr>
</tbody>
</table>

\(^1\) Includes any structure of Municipal Bonds  
\(^2\) As a % of all Municipal Bonds only

The recommendation of **40%**, in the future, as the limit by state is slightly lower than the highest exposure limit set for all other investment types (at 50%), except those that have no exposure limit (100%), like US Treasuries, Municipal Bonds (in total) and US Gov. Agency and US Gov. Sponsored Instrumentalities.
AGENDA ITEM 9 – MEMBER COMMENTS

Board of Directors Meeting
April 16, 2015
AGENDA ITEM 10 – ADJOURNMENT

Board of Directors Meeting
April 16, 2015