

## Jacksonville Mayor Lenny Curry undecided on putting JEA up for sale

By **David Bauerlein**

Posted Feb 16, 2018 at 7:47 PM

Updated Feb 16, 2018 at 11:30 PM

Mayor Lenny Curry said Friday he will be meeting with City Council members about whether the city should seek offers from private companies for JEA and what kind of up-front conditions the city should have for such a sale

As City Council debates whether it will give JEA the green light to put the city-owned utility up for sale, Mayor Lenny Curry said Friday he has not decided whether he would support the city taking that step, which he said would require ensuring terms and conditions are crafted up front to protect the interests of taxpayers and utility employees.

Curry said he is going through the report that Public Financial Management, a consultant hired by JEA, presented Wednesday to City Council about the many aspects that would come into play if the nation's eighth-largest municipal utility were put on the market.

"I'm going to spend some time going through the report, digesting it, asking questions, collaborating with members of my team, collaborating with members of City Council and meeting with them to get their ideas," Curry said. "But as I've said many times and I'll say again — I'm not for or against privatization."

At the City Council meeting, JEA board Chairman Alan Howard said that based on the high prices that utilities are attracting nationally, the city has a "once in a generation" opportunity for a sale that "could be transformative" for Jacksonville.

Curry said it's too early to say whether a sale could have that kind of impact because "there's a whole lot of questions that would have to be answered."

The JEA board has the legal authority to put the utility up for sale at any time the board decides. But Howard told the council it would be pointless for JEA to put those wheels in motion without having a consensus among council members so bidders know the city is serious about entertaining offers for such a complex transaction.

Part of the debate will involve what kind of conditions, if any, the city would establish in areas such as jobs for existing JEA employees and rates for utility customers. In the area of city finances, the discussions could establish a minimum dollar amount the city would expect to receive from a sale and how the city would use the proceeds of a sale. Some council members want to get assurances that money would go toward water, sewer and drainage in areas that have been promised those services for decades. Other options could entail setting aside a portion of the proceeds in a tightly restricted account to generate investment earnings and also using proceeds to ease the burden of the city's debt, which would free up large amount of money.

"From my perspective, I would not be supportive of anything that took a lump sum of cash in any scenario — JEA or anything else — and spent it," Curry said. "Future generations and future taxpayers always have to be protected."

He said the terms of any sale also would have to have protections in place for ratepayers, and the "people working at JEA need to be protected as well, and their families honored."

If City Council does coalesce around support for putting the utility up for sale, the final decision on whether to follow through with a sale would be made by the council in a vote that would require 13 of 19 members to be in favor. Some council members have said they want to put the matter before voters, either through a non-binding referendum or by changing the City Charter to require voter approval for a sale.

Public Financial Management determined that selling the utility to an investor-owned firm could generate \$3 billion to \$6 billion for the city after accounting for paying off liabilities such as JEA's debt.

The disclosure of that dollar figure at the Wednesday meeting didn't draw any immediate support from council, however, as council members said they needed much more information about the impact of a sale on employees and ratepayers.

"I walked in here really open-minded, and I've got a thousand more questions I need to ask," Councilman Al Ferraro said at the end of the three-hour meeting.

Ferraro was among the council members who said the the most immediate question is whether the city should break from the long history of the public owning the utility.

He asked JEA Chief Executive Officer Paul McElroy what would happen if the council decided against giving JEA a go-ahead to invite offers for purchasing JEA.

"I think we end up in the same spot as we have in the past," McElroy said in reference to previous studies that didn't result in putting JEA up for sale. "We recognize the great value this utility has for this community, the economic impact, the great jobs, the fantastic workforce that we have, and we continue to go forward."

If City Council decides transferring the utility to private ownership could make sense under the right terms, the next decision would be whether to sell the entirety of JEA, or break up the utility in a way that separates the electric side of the operation from the water/sewer side.

City Councilman Bill Gulliford said there should be "strong consideration" to the city keeping the water-sewer operation and putting the electric operation up for sale because privately owned power companies don't have water and sewer in their business portfolios. At Gulliford's request, Public Financial Management said it would give council the "independent models" the firm did on the electric system separated from the water-sewer system.

The council also would have to decide how much it wants to have a role up front in shaping the terms of any sale in relation to rates for JEA customers and jobs for JEA employees.

Public Financial Management's report said both those issues can be a part of negotiations with a prospective buyer. City Councilman Reggie Brown said leaving it up to negotiations is "very vague" and doesn't give employees the assurances they need.

Public Financial Management's report said it's possible a sale would result in lower electric rates, but it did not quantify what rates might be. The report said a "thorough report" would be needed to project what future rates would be if the city continued to own JEA versus what the rates would be under private ownership that's regulated by the Florida Public Service Commission.

The council's debate also will examine what the long-range impact would be on city's finances, because selling JEA would end the annual contributions the utility has given to the city's operating budget. This year's amount is about \$116 million. A privately owned utility would pay property taxes in the amount of about \$60 million, leaving a large gap that would have to be filled to avoid a hit on city services.

Answering the question of how to fill that financial gap would be tied to what the city's plan would be for how to use the proceeds of the sale, which would be the largest infusion of cash in city history.

The City Council intends to have more meetings to hash out those issues. There is no timeline for a decision.

At Wednesday's kick-off meeting, City Council President Anna Brosche said, "Colleagues, we have a big task ahead of us."

David Bauerlein: (904) 359-4581