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MEMORANDUM

TO: The Honorable Council Member John Crescimbeni

CC: Jody Brooks, Chief Legal Officer, JEA

FROM: Jason Gabriel, General Counsel
Gayle Petrie, Chief Financial Officer, OGC

RE: Section 21.04 of the Charter of JEA; Transfer of Any Function or Operation Which Comprises More Than 10% of the Total of the Utility System

DATE: February 20, 2018

In response to the two questions raised in your February 14, 2018 email regarding JEA, I am pleased to provide the following information.

Question 1: What is the definition of more than 10%?

More than 10% refers to the assets of JEA as listed on its financial statements (\$8.70 billion at 9/30/17, less approximately \$500 million of cash and investments, equals approximately \$8.2 billion of assets in the utility system at 9/30/17). As a governmental unit, JEA as an entity could not be sold to a purchaser and, consequently, one must conclude the reference in Section 21.04 is a reference to assets and not net worth. The determination would be performed by the JEA Board based on its financial statement numbers. Accordingly, JEA could currently sell up to approximately \$820 million of assets without City Council approval. Geographic area and/or customer base concepts do not apply in the context of a sale or lease so the concept of a "transfer of any function or operation" would be a sale or lease of utility assets up to the 10% limit.

Question 2: Does anything in the JEA Charter prevent several installment sales of 10% or less over time (e.g. quarterly)?

The JEA Charter provides for a 10% basket on asset sales that does not require City Council approval. Once that basket is utilized (whether through five sales of 2% or two sales of 5%, or any other combination that equals 10% in the aggregate), any further sales would require City Council approval.

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