



November 5, 2019

**Scott Wilson, President and Honorable Members,
Jacksonville City Council
117 West Duval Street, Suite 425
Jacksonville, FL 32202**

Dear Council President Wilson and Members of the Jacksonville City Council:

In 2017, the Jacksonville Civic Council, Inc., a non-profit volunteer group of more than 80 Chief Executive Officers in Northeast Florida, adopted a strategic plan focused on two primary strategic objectives: (1) analyzing Jacksonville's public financial structure; and (2) assessing education reform. As part of the Public Finance Task Force, and in response to public statements about the possible sale of JEA, the Civic Council convened a subcommittee in early 2018 to analyze the possible sale of Jacksonville's publicly-owned utility and its impact on the city and its residents. Since that time, we have sought the counsel of experienced industry specialists -- investment bankers, business valuation professionals, utility industry executives, and regulatory experts -- on this matter.

As you know, the situation has continued to evolve. During the same period, the JEA board of directors undertook a substantial change of leadership and strategic direction, resulting in a plan which, in turn, gave rise to the board's July 2019 vote to issue an Invitation to Negotiate for Strategic Alternatives (ITN) to potential buyers.

In response to that action, and in keeping with our ongoing efforts to stay abreast of JEA's changing statements about its financial picture and its strategic plan and process, the Civic Council engaged two highly-respected Florida public utility firms to opine on the ITN process and clarify Florida law as it relates to the disposition or change of a public utility. Jason Burnett, William ("Bill") Andrews and Tom Cloud of the Gray Robinson law firm. Gray Robinson is a well-established Florida law firm with a strong commitment to representing local governments and public utilities. Gerry Hartman, P.E., of Hartman Consultants, is a double board-certified engineer with over four decades of experience in public utility restructuring, acquisition and disposition in Florida and the southeastern United States.

In the spirit of cooperation and transparency, we are writing today to share with you the information provided by Gray Robinson and Mr. Hartman (an opinion letter and a summary of results, respectively), and to offer the results of our own analytical work.

We focused our analysis on the business and the process. After 18 months of research, interviews with national subject matter experts including Gray Robinson and Mr. Hartman, and a thorough review of the Florida Municipal Power Association's recent report on JEA, the JEA Subcommittee of Jacksonville Civic Council has concluded the following:

31 West Adams Street | Jacksonville, Florida 32202
P 904-354-0530 | www.jaxciviccouncil.com



1. **JEA is not in a 'death spiral'. It is a healthy utility facing headwinds that can be overcome with innovative solutions and potential expansion of its role in the Northeast Florida market.**
2. **The urgency around the issue of a possible sale is, thus, nonexistent, and should not be used to propel a flawed process forward.**
3. **Based on the City of Jacksonville's Charter and Florida law, it is the role of the City and the City Council, not JEA, to decide whether to sell or change the business operations of the utility, subject to citywide referendum.**
4. **JEA's role is to operate the City-owned utility for the benefit of its rate payers – and ultimate owners – the citizens of Duval County.**
5. **As currently conducted, the JEA-initiated ITN process lacks transparency. To be consistent with Florida law, any process to evaluate the potential sale, reorganization or privatization of JEA should be conducted by the Jacksonville City Council in an open and thorough manner that considers all possible business options and discloses key information to the public.**
6. **The JEA board decided to pursue privatization and strategic alternatives without fully vetting all the scenarios proposed in their own strategic plan. Before the City Council considers any potential sale or reorganization of JEA, all five business scenarios set forth in the JEA strategic plan should be fully vetted and considered based on the City's needs.**
7. **The exercise currently being conducted by JEA appears to have as its objective the provision of at least \$3 billion in funds to the City of Jacksonville. However, the current administration has not publicly addressed the fundamental questions underlying that objective – a) does the City of Jacksonville need additional public funding? and b) if so, how much money is needed, and for what purpose? – nor has the City made public any efforts to determine other funding options, including the sale of City assets.**

The Jacksonville Civic Council is neither for nor against the sale of JEA at this time. However, the disposition of our city's largest taxpayer-owned asset is far too important to be considered in legally flawed, closed-door negotiations that contradict current nationwide trends and could potentially result in negative consequences for the community, including higher prices for rate payers with little opportunity for redress. All we are suggesting is an open, transparent, factual analysis of the process that is in alignment with our charter and Florida law.



Exhibit A

Documents requested but not produced:

- 1. A financial feasibility report:** This type of report typically includes the various options compared with cost and non-cost factors (i.e. like a transformation curve analysis, etc.). For example, the 10/11/2019 letter from JEA arguably says they are done with the analyses on options #1 and #2 yet they have not provided that with their assumptions and background documents for this analysis. In addition, JEA is still in the process of analyzing options #3, #4, and the Sale option #5 as stated by Mr. Zahn in the same letter. In spite of the lack of analysis, JEA is out in the market with the ITN that is, at a minimum, premature.
- 2. The appraisal:** The PFM work was not an appraisal. An independent appraisal is a standard part of any public utility disposition process. Market or bidder response is only one consideration when determining value. For example, a bank would not issue a home mortgage loan without an independent appraisal to validate the value of the property or home. In this case, the rate payers and owners of JEA, are entitled to a full understanding of the value of the City's largest asset.
- 3. Advance determinations by the Florida Public Service Commission of what "rate base" is and the total amount of Contributions in Aid of Construction (CIAC).** This information is vital when determining the actual value of JEA when compared against bids and proposals.
- 4. The supporting reports and assumptions used by JEA in its decision making, options analysis, etc.**



Finally, we would like to note that JEA was initially cooperative in providing information in response to Civic Council requests for documents and analysis. Over time, however, JEA has become less cooperative and less open to repeated requests for information required to conduct a thorough business analysis. Most recently, they declined to make available several key documents requested by Mr. Cloud and Mr. Hartman, stating that the documents either did not exist or were not available. JEA officials did not cite a reason why the documents, listed in Exhibit A, could not be provided as required by Florida law.

Based on our conclusions listed above, on JEA's disregard for the law as it applies to public records, and their rush to engage in ITN in contravention of common sense and transparency – and in the absence of an urgent need – our belief in the need for rigorous oversight of their actions in this matter has only increased.

Under a succession of leaders, Jacksonville has established a long history of successfully rising to meet its challenges. From air quality improvements during the Hazouri era and the River City Renaissance under Mayor Austin to the Delaney-era Better Jacksonville Plan and Mayor Peyton's Jacksonville Journey, Jacksonville has defined its problems, explored solutions, built consensus, and taken action to move ahead. ***Rather than allowing the effort to generate needed revenue through a one-time sale of the city's biggest (and revenue-generating) asset, we respectfully ask that you stop the headlong rush to sell JEA and initiate a thorough, transparent process to determine the city's financial needs and how to meet them in a sustainable manner.***

Thank you for considering our suggestions.

Respectfully,

Michael Ward
Co-Chair | JEA Sub-Committee

Bobby Stein
Co-Chair | JEA Sub-Committee

Jeanne M. Miller
Chief Executive Officer

Cc: Mayor Lenny Curry