Jacksonville, Florida officials move forward with electrical utility privatization plan

By Matthew Taylor
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When Jacksonville, Florida's Republican mayor Lenny Curry failed in his bid to privatize the Jacksonville Electrical Authority (JEA) in 2018 the millionaire businessman and his backers staged a temporary retreat.

Their naked attempt at selling off the city-owned JEA, the largest public utility in the state, provoked widespread opposition from the public, with opinion polls consistently showing 70 percent or more respondents opposed to a sale, and a straw poll attached to the 2018 elections showing similar results. Jacksonville's city council responded by amending the city charter to require voter approval of the sale of 10 percent or more of JEA's assets.

But the potential one-time windfall for the city budget, estimated to reach a minimum of $3 billion in the event of a sale, and the opening up of the public utility to private interests, was too great for Curry and his benefactors to walk away from.

The sale of the utility is just one of a number of high dollar projects which have been proposed in recent years that would supposedly revitalize the downtown area and stimulate the economy of the largest city in the state. These range from dredging the St. Johns River, which runs through the city, to a variety of downtown redevelopment schemes, any of which would cost hundreds of millions of dollars.

Most recently this took the form of a proposed deal between Mayor Curry and billionaire Jacksonville Jaguars owner Shad Khan, which would involve the city providing up to $233 million towards a $450 million "entertainment district" to be built adjacent to the stadium where the NFL football team plays its home games.

In reality, the principal beneficiaries of these proposals would be downtown property owners, large construction companies that would be handed city contracts, and the local politicians—the mayor included, founder of the corporate services firm ICX Group—who would be enriched by campaign contributions, bribes, and kickbacks derived from revenues generated by the sale of the utility or large tax giveaways.

The proposal to sell off JEA was first raised by Tom Petway, an outgoing board member appointed by Curry who is also the largest donor to the mayor's political campaigns. All told, Petway, his family members, and the insurance company he controls, US Assure, have donated at least $195,000 to Curry's political action committee, according to an article published in the *Folio Weekly* in 2018.

The groundwork for the latest push toward privatization has been laid over the course of the last year by Aaron Zahn, who became interim CEO of JEA in May of last year and was named permanent CEO in November.

Zahn presented a report to the JEA board in May of this year which predicted the utility would have to raise electrical rates by up to 52 percent over the next five years. He claimed this could be minimized to 40 percent if the utility stopped making its annual contribution to the city budget. He also projected an increase in water rates of 16 percent over the next decade. Zahn claims that these rate increases would be necessitated by a broad shift towards forms of renewable energy, such as solar power and energy-efficient appliances, in the coming years that would eat into the utility's revenues.

The fraudulent nature of Zahn's report is best highlighted by the disclaimer which precedes it and reads in part "The following 'Status Quo Baseline' financial projections … are not a projection of future financial performance and, as such, should not be relied upon by present or prospective JEA bond investors to purchase or sell any security or to make an investment decision. The projections are a mathematical representation of a status quo business case and do not reflect numerous likely future events and future JEA actions that will likely cause actual results to differ materially from this business case."

In plain language, the disclaimer states that Zahn's report was politically motivated and did not present an accurate picture of JEA's financial health. In fact, the utility is projected to add at least 16 percent more customers through 2030. Additionally, the utility had recently announced there would be no rate hikes for the years 2019-2020 and had agreed to increase its contribution to the city budget by 1 percent each year over the next five years, reaching $122.4 million annually by 2023.

The May report was followed by an announcement in June warning that the utility would need to increase rates by 26 percent in the near future and lay off at least 574 of its 2000 employees to stave off imminent collapse.

The supposed financial stress the utility confronts however did not stop Zahn from expanding the company's "senior leadership team" from eight positions to 14, with a collective salary of $4.1 million. Nor did it stop Zahn from accepting a new compensation package at the same JEA board meeting last month where he first announced that the utility was seeking buyers.

Zahn's new contract includes an annual salary of $520,000, making him the city's highest-paid employee. It also includes a $2,200 monthly allowance for business expenses, reimbursement for a range of other expenses, and seven weeks a year of paid time off, among other perks.

After months of increasingly dire predictions about the utility's future, during which time Zahn refused to answer questions about privatization, the JEA CEO announced on July 23 that the board had voted unanimously to seek a private buyer.

Within days of last month's announcement, the JEA board announced that it had hired J.P. Morgan Securities and Morgan Stanley & Co. to assist in the sale. The utility has announced a deadline of September 30 for private investors to make their initial bids to purchase the utility.

In order to make a potential sale more palatable to voters, the board included in their announcement a number of conditions that would have to be met in order for a sale to be approved. These include $400 million in rebates for current JEA customers, a guarantee that rates would remain unchanged for three years, the protection of employee retirement benefits and other compensation for three years, and retention payments to all full-time employees of 100 percent of their current base compensation. Given the dishonest and manipulative fashion in which the JEA board has presented the privatization issue to the public, none of these pledges can be taken seriously.

The author recommends:

Jacksonville Electrical Authority board of directors approves privatization effort
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