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## Florida City Ponders Privatizing 8th Largest U.S. Public Utility.

- **Jacksonville has eighth largest public utility in the U.S.**
- **Electric, water company said worth \$7.5 billion to \$11 billion**

A sizzling sellers' market for power companies could prove enough for Jacksonville, Florida, to put its prized community-owned utility on the auction block.

While elected officials in the city of 881,000 on Florida's northeastern seaboard are divided over whether to place the power, water and sewer utility, known as JEA, up for sale, market conditions may provide the kind of valuation that would make such a deal attractive, consultants hired to evaluate a sale said in a report to JEA's board earlier this month.

The utility could be worth between \$7.5 billion and \$11 billion before costs are calculated, Michael Mace, a managing director with Public Financial Management, told the city council Feb. 14. A sale to private investors could probably net the city about \$2.9 billion to \$6.4 billion after debt is retired, he said.

The question of privatizing JEA has vexed Jacksonville officials, mostly because the value of the utility never seemed enough to make it worth while. That's in part because JEA is a cash machine. It gave the city \$117 million in the current fiscal year to help prop up Jacksonville's \$1.27 billion budget.

Elected officials and community leaders are also concerned about losing local control over the rates the JEA — the eighth largest community-owned U.S. utility — charges its 458,000 electric, 341,000 water and 264,000 sewer customers.

### **'Old Math'**

PFM in its report said federal corporate tax cuts, a rising equity market and low interest rates are contributing to a sellers' market right now. Consolidation in the industry — driven by a weak growth outlook that is forcing companies to merge if they want to boost earnings — led to \$68.2 billion of acquisitions in 2017, the most in a decade, according to data compiled by Bloomberg.

These changing conditions "justify a new look at the old math that had always favored municipal ownership," PFM said in its report.

A sale of JEA would be one of the largest and most complex municipal privatization in the U.S., PFM said in the report. JEA has more than \$4 billion in municipal debt outstanding. And a sale deal could take years to complete and would face regulatory hurdles, PFM said.

"JEA is a huge entity that is both an electric utility and a water, sewer utility and they also have some telecommunications infrastructure," said Ted Kury, a professor at the University of Florida and a researcher in public utilities. "It's highly unlikely that any potential purchaser would want to buy

JEA consolidated,” suggesting the only way to sell the utility would be to split it up among at least two, possibly more buyers.

Jacksonville isn't alone in looking to privatize municipal utilities. Florida power giant NextEra Energy Inc. reportedly is interested in buying the troubled state-owned utility Santee Cooper from South Carolina. And President Donald Trump proposed in his budget to sell off transmission line assets now owned by government-run utilities Tennessee Valley Authority and Bonneville Power Administration.

## **Bloomberg**

By Danielle Moran

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