

MEMORANDUM

TO: John Crescimbeni, Council Finance Committee Chair
Finance Committee Members

CC: Kirk Sherman, Council Auditor

FROM: C. Ronald Belton, Chief Financial Officer
Glenn Hansen, Budget Officer

RE: Proposed Budgetary Savings

DATE: 16 August 2012

Following our discussions at last week's budget hearings, you tasked the Finance Department with identifying and recommending options for filling the \$5 million budget deficit that was created as a result of a state revenue miscalculation and the posting error that equals approximately \$1 million.

We have also taken this opportunity to identify options to cover the combined \$4.5 million that was swept from the Jacksonville International Airport (JIA) and Southbank Community Redevelopment Agencies (CRAs) as well as the \$465,000.00 related to the proposed waiver of 2010-216.

These obligations total \$10,965,000. We have identified and hereby recommend \$11,850,000 in positive budgetary changes to the Council Auditor and Finance Committee for consideration.

(1) Savings Achieved through Competitive Bidding: \$4.25 million

While neither the facilities management nor health benefits procurement processes have yet concluded, the bids received to date indicate a minimum of \$4.25 million in combined savings between the two contracts (\$750,000 million facilities, \$3.5 million health benefits) that have not yet been built into the Fiscal Year 2012/2013 budget. Though it is hoped that contract negotiations will produce even greater savings, those additional savings are not incorporated into this recommendation.

(2) State Revenue Projections \$3 million

Recent reports indicate that state revenue is growing. See <http://jacksonville.com/news/florida/2012-08-10/story/floridas-tax-revenue-growing> and attached supporting documentation from the Florida Office of Economic and Demographic Research (EDR). Local economic growth information is also attached. The City can reasonably project a \$3 million increase in state revenues into the city budget.

(3) FY 2012/2013 Debt Service Savings \$2 million

Much like it recently did with Jacksonville Transportation Authority (JTA) debt, the City will refund other debt in FY 2012/2013 for an estimated general fund impact of at least \$2 million.

(4) FY 2011/2012 Debt Service Savings

\$1 million

The Finance Department currently projects that the City will retain approximately \$1 million in funds budgeted for debt service in Fiscal Year 2011/2012. These budgeted but unspent funds can be carried over to provide debt service in Fiscal Year 2012/2013.

(5) Additional Staffing Reductions

\$1 million

Based on staff departures that occurred following the submission of the budget and historical attrition rates, the City anticipates additional Fiscal Year 2012/2013 salary and benefits savings in the estimated amount of \$1 million.

(6) Council Auditor Recommendations

\$600,000.00

The administration fully agrees with the Council Auditor's recommendations as it relates to the reduction of the Courthouse Trust Transfer-in (August 16, 2012 Budget Book, page 26) and the Parks double billing issue (August 16, 2012 Budget Book, page 260-262).

TOTAL ESTIMATED SAVINGS:

\$11,850,000

Thank you for the opportunity to present these options. We look forward to discussing these recommendations with you in more detail.

Live blog: Superintendent candidates from Atlanta, Miami-Dade, Connecticut among search firm's top finalists [More](#)

Florida's tax revenue is growing

Economists predict that growth is likely to continue over next 2 years

Posted: August 10, 2012 - 12:16am | Updated: August 10, 2012 - 8:42am

By Gary Fineout

Associated Press

TALLAHASSEE — State economists are projecting that state tax collections should continue to grow slowly over the next two years.

Preliminary estimates released Thursday show economists expect the state's main budget account to grow by 4 to 5 percent per year between now and the middle of 2015 as Florida begins to slowly recover from the recession.

The growth could be good news for both Gov. Rick Scott and the Legislature since it would lessen the need for budget cuts in the near future to balance the state budget.

The slight uptick in state tax collections could aid Scott in his quest to cut the state's corporate income tax rate. Legislators were reluctant to embrace Scott's tax cut because it would have required large cuts in spending on schools, health care and other programs.

Economists will meet all day to come up with a final figure, but the initial projections suggest economists do not expect any major changes from estimates that state legislators used to draw up this year's state budget. The state's fiscal year runs from July 1 to June 30.

The state's largest source of money is the 6 percent sales tax, although other taxes, including one on corporate income, are part of the main budget account.

Collections so far this year have been slightly over initial estimates, but state economists warned earlier this summer that the state economy is still dealing with the fallout from the recession.

The preliminary figures show a range of possible scenarios from the state receiving about \$144 million more in taxes over the next two years to the state receiving \$16 million less than previous estimates.

But that's a small change since Florida's main budget account this past year was \$23.6 billion. Florida's overall state budget is nearly \$70 billion, but that includes federal aid for programs like Medicaid and spending on roads that does not come from the main budget account.

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GENERAL REVENUE FUND
August 9, 2012
(\$ MILLIONS)

	FY 09-10 Actual	FY 10-11 Actual	FY 2011-12		FY 2012-13		FY 2013-14		FY 2014-15		FY 2015-16	
			Forecast	Change	Forecast	Change	Forecast	Change	Forecast	Change	Forecast	Change
Sales tax/GR	16,014.7	16,638.3	17,422.0	152.3	18,141.3	87.9	19,168.6	4.1	20,377.8	(107.8)	21,589.3	(118.1)
Beverage tax & licenses	585.7	550.8	520.4	23.3	476.0	8.9	441.5	4.8	394.7	(1.3)	332.7	(4.1)
Corporate income tax	1,790.0	1,874.5	2,010.8	51.5	2,177.9	(70.0)	2,213.3	(3.5)	2,303.7	(7.0)	2,369.0	(11.6)
Documentary stamp tax	143.3	167.2	208.6	26.7	265.7	43.8	457.5	18.8	509.0	17.1	567.5	10.6
Tobacco taxes	205.8	213.4	199.8	(0.4)	198.5	0.0	190.0	0.0	189.7	0.0	189.4	0.0
Insurance premium tax	649.2	660.5	662.6	27.0	635.7	(1.3)	664.8	7.0	633.2	1.6	650.1	1.2
Parimituels tax	27.7	30.8	24.5	0.8	18.5	(3.7)	24.0	(2.2)	23.6	(2.2)	23.4	(2.2)
Intangibles tax	158.7	162.5	184.6	19.9	203.3	23.0	229.5	17.3	252.7	4.9	274.9	(10.6)
Indian Gaming Revenues	287.5	139.7	146.3	0.8	221.6	0.4	226.0	0.0	226.9	0.0	103.6	(0.7)
Earnings on Investments	118.1	135.6	117.3	6.0	111.3	1.9	94.5	(22.8)	118.8	(55.9)	197.8	(45.3)
Highway Safety Lic. & Fees	746.0	965.5	1,028.2	2.8	876.6	0.0	880.8	0.0	877.6	(0.1)	858.4	0.0
Medical-hospital fees	210.2	208.6	235.3	42.3	305.0	(57.0)	320.3	(43.4)	332.9	(31.2)	351.6	(24.8)
Severance tax	13.0	18.6	21.3	2.8	17.5	(0.3)	18.1	(0.8)	17.2	0.0	15.6	(0.3)
Service charges	435.2	462.5	449.0	4.9	462.9	16.3	468.6	10.5	482.0	8.2	496.1	6.7
Corporate Filing Fees	238.1	273.6	275.8	20.3	273.8	14.0	272.5	10.6	272.8	8.6	274.4	4.2
Article V fees	190.6	165.3	165.4	7.3	344.1	(22.6)	321.2	8.9	246.9	(10.5)	223.0	(8.8)
Other taxes & fees	49.1	38.7	33.6	(2.7)	34.0	(2.2)	33.8	(2.2)	33.6	(2.2)	33.4	(2.2)
Other Nonop. Revenue	197.8	171.6	219.5	39.2	171.2	0.0	171.5	0.0	172.1	0.0	172.8	0.0
Total Revenue	22,060.9	22,877.7	23,925.0	424.8	24,934.9	39.1	26,196.5	7.1	27,465.2	(177.8)	28,713.0	(206.0)
Less: Refunds	537.8	326.1	306.2	17.7	303.4	7.6	323.8	12.4	323.9	9.1	319.0	1.0
Net General Revenue	21,523.1	22,551.6	23,618.8	407.1	24,631.6	31.5	25,872.7	(5.3)	27,141.4	(186.9)	28,394.0	(207.0)
% change from prior year	2.4%	4.8%	4.7%		4.3%		5.0%		4.9%		4.6%	

**Taxable Sales by Major Category (\$ million) and percentage change from prior year
City of Jacksonville and State of Florida**

	<u>Total</u>		<u>Autos & Accessories</u>		<u>Consumer Durables</u>		<u>Tourism & Recreation</u>		<u>Consumer Nondurables</u>		<u>Building Investment</u>		<u>Business Investment</u>		<u>Index of Retail Activity</u>	
	<u>Jax</u>	<u>FL</u>	<u>Jax</u>	<u>FL</u>	<u>Jax</u>	<u>FL</u>	<u>Jax</u>	<u>FL</u>	<u>Jax</u>	<u>FL</u>	<u>Jax</u>	<u>FL</u>	<u>Jax</u>	<u>FL</u>	<u>Jax</u>	<u>FL</u>
December, 2011	1809.9	29894.3	293.9	3948.4	110.8	2277.8	320.2	5998.2	715.3	11589.5	79.9	1272.4	289.7	4807.9	118.4	126.3
	3.1%	4.8%	11.0%	9.7%	4.4%	6.0%	3.8%	7.2%	-0.9%	2.4%	5.4%	8.5%	3.8%	2.9%	2.3%	5.7%
January, 2012	1415.4	24521.2	260.9	3716.2	74.3	1664.6	289.6	5634.9	452	7860.7	79.8	1281	258.8	4363.8	119.6	126.8
	6.0%	6.8%	9.2%	6.7%	2.9%	7.3%	12.1%	9.4%	3.0%	6.1%	16.0%	15.1%	0.5%	2.9%	3.7%	6.3%
February, 2012	1567.4	26246.8	307.2	4115.4	90.3	1733	305.8	6292.8	511.2	8457.1	81.6	1234.4	271.2	4414.1	122.1	129
	5.8%	8.3%	14.3%	11.3%	11.2%	10.7%	0.5%	10.5%	3.7%	6.3%	12.9%	8.5%	3.4%	5.6%	4.6%	7.1%
March, 2012	1731.6	29417.4	334.4	4531.2	94.3	1905.5	363.3	7365.4	565.5	9446.3	97.8	1423.2	276.2	4745.8	124.5	130.8
	5.6%	6.3%	10.9%	9.2%	2.4%	6.4%	12.8%	8.5%	5.2%	6.0%	-0.3%	1.5%	-4.3%	2.7%	5.9%	7.9%
April, 2012	1587.5	26358.6	289.6	3965.2	82.2	1628.4	324.2	6239.3	518.5	8604.9	95.1	1396.3	277.9	4524.5	124.9	131.9
	3.9%	4.1%	5.5%	4.1%	3.5%	0.9%	4.5%	4.3%	2.8%	4.3%	2.3%	2.8%	4.6%	4.8%	6.2%	6.8%
May, 2012	1587.3	25154.1	304.3	4012.5	82.9	1610.7	325.8	5625.9	508	8118.2	90.3	1302.3	276	4484.5	124.9	129.7
	6.2%	6.0%	16.1%	13.1%	6.9%	3.6%	4.9%	5.0%	4.2%	4.2%	6.3%	6.3%	1.4%	5.5%	6.3%	5.8%

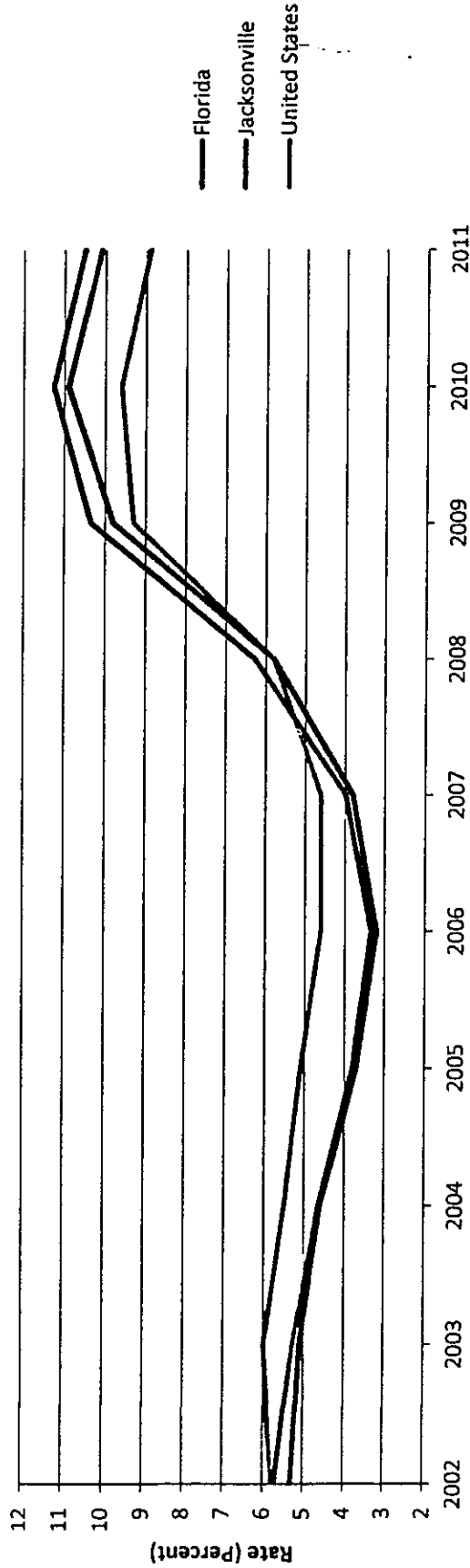
Jax = City of Jacksonville
FL = State of Florida

Source: Office of Demographic and Economic Research website (see link below)

<http://edr.state.fl.us/Content/revenues/reports/taxable-sales-and-index-of-regional-economic-activity/index.cfm>

Unemployment Statistics

Annual Unemployment Compared



JACKSONVILLE Labor Force Data

	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	June 2012
Labor Force Data						
Civilian Labor Force (1)	686.5	687.1	685	682.2	694.2	(P) 701.1
Employment (1)	623.7	626.5	627.6	627.9	638.5	(P) 641.2
Unemployment (1)	62.8	60.7	57.4	54.3	55.7	(P) 59.9
Unemployment Rate (2)	9.1	8.8	8.4	8	8	(P) 8.5

Although the unemployment rate shows a preliminary increase in June, labor force has increased by over 5,000 workers. A main reason for this is that discouraged workers are becoming more confident and beginning to look for work again which could indicate and improvement in the overall job market.

JAXUSA Partnership ECONOMIC DEVELOPMENT PROGRAM - ANNOUNCEMENTS BY DATE

REPORT PERIOD Announced: 08/01/11 - 08/01/12

Page 1 of 2

Company Name	Contact Telephone	Type of Business	Industry Cluster	Projected New Jobs	Capital Investment	Facility Size	Date Location
Convergys (E) Jacksonville, FL	Robin Cheshire (904)636-2187	Business Process Outsourcing	CustSvc	900 (new)	No New Cap. Investment	No New Facilities	08/17/11 Bttr/Bay
Medtronic (ET\$[*])	Lee Higgins	Manufacturing	MedProd/Svcs/ R&D SpecMfg	175 (new)	\$14,000,000	75,000 sq.ft.	08/23/11 Southside
International Armored Group (NT\$) Toronto, ON	Ron Whillier +1 416 841-1413	Manufacturing	TransportEquip	100 (new)	\$500,000	20,000 sq.ft.	09/14/11 NSUJohns
Industrial Power Systems (E*) Jacksonville, FL	Judy Young 904-731-8844	Electrical Controls and Switchgear Manufacturer	MfgGeneral		\$1,500,000	86,000 sq.ft.	09/23/11 Bttr/Bay
KCI Aviation (NT\$[*])	Unknown	Aviation Maintenance Repair & Overhaul	Aviation/Aero	30 (new)	\$5,000,000	30,000 sq.ft.	11/30/11 SouWest
Bruss (NTI*)	Dan Stubbs 404.892.4100	Food Processing	ProcessGen Other	162 (new)	\$10,000,000	50,000 sq.ft.	12/13/11 NthWest
National Healing Corporation (ET\$[*]) Jacksonville, FL	Bill Williams 904-482-0820	HQ for Health Services Provider	HQ MedProd/Svcs/ R&D	69 (new) / 89 (retained)	\$500,000	35,000 sq.ft.	01/04/12 Southside
Definitive Design (NT\$[*]) Brunswick, GA	Mr. Mike Piscatella 937-778-4378	Aviation Components Manufacturing	Aviation/Aero SpecMfg	30 (new)	\$1,530,000	16,000 sq.ft.	01/20/12 Nassau
Web.com (ET\$)	David Brown	Information Technology	InfoTech	200 (new)	No New Cap. Investment	No New Facilities	01/25/12 Southside
Latitude Software (ET\$[*]) Indianapolis, IN	Larry Gigerich 317-819-0890	Information Management Technology	InfoTech	30 (new) / 41 (retained)	\$1,000,000	10,000 sq.ft.	02/15/12 Bttr/Bay
BT-LO LLC (ET\$[*])	Ken Jones	Headquarters	Distrib/Logist HQ	200 (new) / 891 (retained)	\$104,000,000	No New Facilities	03/12/12 SouWest

Company Name	Contact Telephone	Type of Business	Industry Cluster	Projected New Jobs	Capital Investment	Facility Size	Date Location
2G-Cenergy Power Systems Technologies Inc. (NT\$*) Orange Park, FL	Michael Turwitt (904) 579-3217	Manufacturing	MfgGeneral	125(new)	\$5,000,000	60,000 sq.ft.	03/26/12 NSDJohns
Caterpillar Work Tools (ETI*)	Joel Gunter	Construction Machinery Manufacturing	MfgGeneral	39(new)	\$3,895,000	No New Facilities	04/03/12 SouWest
GE Capital (ET\$*) Jacksonville, FL	Sue Johnson (904)483-4787	Financial Services	Finance/Ins	220(new)	Unknown	50,000 sq.ft.	05/10/12 Mandarin
Novitas Solutions (ETI*)	Cathy Robbins (904) 791-8763	Finance and Insurance Services	Finance/Ins	250(new)	\$1,000,000	No New Facilities	06/05/12 NBnkDwnTwn
Jiti (ET\$*) Jacksonville, FL	Kristi Bageant-Epperson (904)954-7500	Financial Services	Finance/Ins	400(new)	No New Cap. Investment	No New Facilities	06/29/12 Mandarin
Tentative Announcements (Pending approval of incentives.)							
Deutsche Bank (ET\$*) Jacksonville, FL	Mike Fleming (904)271-2865	Financial Services	Finance/Ins	260(new)	\$10,300,000	30,000 sq.ft.	07/18/12 Btlr/Bay
Total Projected New and Retained Employment							4,211

Criteria - Announced:08/01/11-08/01/12



Jacksonville Economic Snapshot - June 2012

Current Figures and Year-Over-Year Change

Legend	
✓	Figures show positive trend for Jax
✗	Figures show negative trend for Jax

Employment Data (All Data Not Seasonally Adjusted)

May Employment ✓

Geography	JAX MSA	Florida	U.S.
Current Level	639,010	8,506,000	142,727,000
Y/Y Change	+2.3%	+2.5%	+1.9%

Source: Florida Department of Economic Opportunity, Local Area Unemployment Statistics

May Unemployment ✓

Geography	JAX MSA	Florida	U.S.
Current Level	55,567	790,000	12,271,000
Current Rate	8.0%	8.5%	7.9%
Y/Y Change	-1.7%	-1.8%	-0.8%

Source: Florida Department of Economic Opportunity, Local Area Unemployment Statistics

Major Employment by Industry* Biggest Year-Over-Year Net Gains

Industry Sector	% Change
Professional and Business Services	+3.6%
Trade, Transportation, and Utilities	+2.3%
Education and Health Services	+1.3%

Source: Florida Department of Economic Opportunity, Current Employment Statistics
*For detailed descriptions of the industry sectors, please visit <http://tels.gov/faq>

Biggest Year-Over-Year Net Losses

Industry Sector	% Change
Construction	-7.9%
Other Services	-3.0%
Total Government	-1.9%

Consumer Data

May Consumer Price Index

Geography	JAX MSA	U.S.
Current	113.31	127.03
Y/Y Change	+2.9%	+1.5%

Source: University of North Florida Local Economic Indicators Project

May Taxable Sales ✓

Geography	Duval County	Florida
Current	\$1,150,309,025	\$26,205,736,984
Y/Y Change	+3.2%	+3.5%

Source: Florida Department of Revenue

Housing Data

May Median Sales Price, Single-Family Existing Homes ✓

Geography	JAX MSA	Florida	U.S.
Current	\$133,900	\$147,000	\$182,800
Y/Y Change	+3.0%	+8.9%	+7.9%

Source: Florida Association of Realtors, National Association of Realtors

May Realtor Sales, Single-Family Existing Homes ✓

Geography	JAX MSA	Florida	U.S.
Current	1,503	18,723	4,550,000
Y/Y Change	+3.7%	+7.2%	+9.6%

Source: Florida Association of Realtors, National Association of Realtors

May Foreclosure Filings

Geography	Duval County	Florida	U.S.
Current	1,440	28,412	205,990
Y/Y Change	+37.0%	+37.8%	-4.2%

Source: RealtyTrac

May Single-Family Building Permits ✓

Geography	Duval County	Florida	U.S.
Current	471	3,745	49,821
Y/Y Change	+54.4%	+27.3%	+26.5%

Source: U.S. Census, Housing Units Authorized by Building Permits

Airport & Seaport Activity

May Statistics for Jacksonville International Airport (JIA)

Geography	Passenger Traffic ✗	Cargo Tonnage ✓	Daily Departures ✗	Daily Seats ✗
Current	467,811	12,754,302	89	9,950
Y/Y Change	-4.4%	+16.6%	-7.5%	-4.7%

Source: Jacksonville Aviation Authority

May Statistics for JAXPORT (Tonnage)

Geography	Containerized ✓	Break-Bulk ✗	Bulk Cargo ✗	Auto Tractors ✗
Current	411,109	58,384	109,944	83,331
Y/Y Change	+1.3%	-10.9%	-11.0%	-23.9%

Source: Jacksonville Port Authority



**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2012/13 BUDGET
COURTS
COURT COST COURTHOUSE TRUST (15T)**

**PROPOSED Budget Book – Page # 369 - 371
ON SCREEN – PDF Page # 406 - 408**

Public Works:

Internal Service Charges:

- The decrease of \$8,807 for Public Works is attributable to decreases in radio of \$8,589 and wireless communication of \$218.

Other Operating Expenses:

- The net increase of \$154,696 for Public Works is mainly attributable to increases in contractual services of \$122,526 and repairs and maintenance of \$57,738. These changes are the result of the new court house being operational for the entire fiscal year. This is offset somewhat with a decrease in alarm service of \$29,477 due to it being under warranty for one year.

Capital Outlay:

- The decrease of \$5,599 for Public Works is attributable to decreases in office furniture of \$4,000 and computer equipment and software of \$1,599.

State Attorney:

Other Operating Expenses:

- The increase of \$161,945 for the State Attorney is attributable to an increase in miscellaneous insurance of \$169,617. This was offset somewhat with a decrease in guard service of \$7,672.

Transfers-Non Departmental

Debt Service:

- The decrease of \$1,139,080 is mainly attributable to an "all years" adjustment. The interest is actually set to be the same amount as FY 2011/12. Current debt service is only associated with interest. Principal payments are slated to commence in FY 2013/14.

SERVICE LEVEL CHANGES:

None

EMPLOYEE CAP CHANGES:

There are no employees in this subfund.

**COUNCIL AUDITOR'S OFFICE
 COMMENTS AND RECOMMENDATIONS
 MAYOR'S PROPOSED FY 2012/13 BUDGET
 PARKS AND RECREATION
 GENERAL FUND (011)**

Job Class	Job Class Description	Indexcode	Filled/ Retiring/ Vacant/ Attrition	Budget Savings
04434	AMIO-MUSEUM ADMINISTRATION	RPOD011RT	Filled	\$64,452.73
E0023	CUSTODIAN	RPOD011RT	Filled	\$35,077.92
Total savings from proposed eliminations				\$653,159.69

RECOMMENDATIONS:

1. We recommend eliminating the projected \$1,000,000 in Contributions from Private Sources budgeted within the Playgrounds and Centers activity. At this time, no information regarding the donor(s) or timeframe for receiving the donation(s) has been provided and it appears to have been budgeted as a means to balance the budget. This will have a negative impact of \$1,000,000 on Special Council Contingency.

2. We recommend eliminating funding of \$20,246 for the GIFTS grants management system database maintenance budgeted in Office of the Director- Professional Services. This is to correct an error since the expense is already budgeted in the Grant Compliance activity. In addition, we recommend reducing funding for this expense in Grant Compliance by \$15,754 to correct an error in the amount budgeted. This has a positive impact of \$36,000 on Special Council Contingency.

3. We recommend transferring \$38,000 in revenue to the Parks and Recreation Department - Administration from the Special Services Department - Office of the Director. This revenue is associated with the Bent Creek Golf Course (\$20,000) and boat docking for river cruises (\$18,000) and was erroneously budgeted within the Special Services Department for FY 2012/13 but is now under Parks and Recreation following the reorganization. This will have no impact on Special Council Contingency.

4. We recommend the deletion of the following 16 unfunded positions in the proposed budget. This will have no impact on Special Council Contingency.

Indexcode	Position	Jobcode	Position No.	Proposed Salary
RPCM011PG	Recreation Specialist	W0035	999000324	0.00
RPCM011PG	Recreation Specialist	W0035	999000325	0.00
RPCM011PG	Recreation Specialist	W0035	999000326	0.00
RPCM011PG	Recreation Specialist	W0035	999000327	0.00
RPCM011PG	Recreation Specialist	W0035	999000328	0.00