

**Council Auditor's Office**  
**Resolution 2014-89**  
**Proposed Independent Library Taxing District**  
**Future Points of Consideration**

If an Independent Library Taxing District (ILTD) were to be created by the State Legislature and approved by the citizens through a referendum process, there are many items that will need to be addressed through an interlocal agreement between the City and the ILTD or at least resolved between the parties during a transition period. The creation of an independent taxing district is merely the first step in the process.

Additionally, current interlocal agreements the City has with the Beaches and Baldwin may need to be reopened to allow for the ILTD to provide the county Library Services since they are not a named party in the current interlocal agreement. The millage differential may also need to be addressed. The following is a list of possible future issues that will need to be worked out between the City of Jacksonville and the ILTD. This list should not be considered all inclusive as unanticipated issues could arise and it is impossible to predict with certainty all the items that need to be addressed since this is the first change that has occurred in the structure of the consolidated government since its inception.

**Future Issues:**

**1. Transition Period**

If this legislative act is approved by the State Legislature and the referendum is approved on November 4, 2014, there is no specific date on which the ILTD automatically begins operations of the library system and simultaneously that the City ceases its operations of the library system. Additionally, because there are no provisions that prevent the ILTD and the City from running concurrent library systems, the transition could be implemented in stages rather than all at once. The City and the ILTD will have to determine when the operations will transfer and when employees will be terminated. For the FY 2014/15, the City will still have to fund the operations of the library as any ad valorem revenue would not be collected by the ILTD until November/December of 2015. For the period of October 2015 through at least early to mid-December 2015, the City would have to either budget funds for the FY 2015/16 or a portion thereof, or loan the ILTD enough cash to operate the library system. All terms of a transition would need to be negotiated between the City and the ILTD through an interlocal agreement.

2. **Lease, sale or use rates**

Given that the ILTD may be occupying space and operating a library system in City-owned buildings, whether the City sells any buildings to the ILTD, leases the facilities or establishes some other type of arrangement, the City will have to negotiate a rate with the ILTD for the use of both real and personal property that the City now owns.

3. **Central City Services**

The proposed J-bill does not require that the ILTD use any of the existing central City services, such as accounting, treasury, human resources, payroll, procurement, information technology, etc. However, if the ILTD decides to utilize any or all of the City's central services, it will have to negotiate terms for rate of pay and levels of service through an interlocal agreement. Even if the ILTD were to decide to provide such services on its own, there would need to be a transition period where the City provided such services until such time as the ILTD could procure and implement the necessary systems and hire the appropriate staff to perform these functions. Provisions for reimbursing the City for such costs would need to be established through an interlocal agreement.

4. **When/If to Transfer the City's Assets**

The City owns real and personal property as part of its library system. This includes land, buildings, furniture, equipment such as computers and shelving, all library materials, etc. Assets will remain with the City until such time as the City and the ILTD enter into an agreement to change that. If any assets are transferred to the ILTD, whether it be for fair market value or some other negotiated rate, the terms of such a transfer will need to be addressed through an interlocal agreement.

5. **When/If to Transfer Debt**

The City currently has \$95 million of outstanding debt from the Better Jacksonville Plan, as well as other debt from the issuance of bonds, related to the library. Annual debt service on these obligations is approximately \$8 million per year. If any debt is transferred to the ILTD, the terms of such a transfer will need to be addressed through an interlocal agreement.

## 6. **Employee Issues**

- a. Once the ILTD is created, any employees that it hires will be employees of the ILTD and not the City of Jacksonville. Because an independent taxing district is a county function, any employees hired by the ILTD would become county employees. Therefore, even if the ILTD decides to transition over current City employees to the ILTD, these employees will lose their status as a City employee.
- b. When the City ceases to operate a library system and the ILTD takes over such function, the City will need to determine which employees have civil service reversion rights and to which positions the employees will revert. Reversion rights could result in employees in other City departments being terminated if a library employee has more seniority. All other library employees would likely be terminated from the City.
- c. Pension plan for ITLD employees- It would take City Council approval, and possibly State action, to allow existing City employees who become employees of the ILTD, as well as new employees of the ILTD, to be admitted into the City's General Employee Pension Plan. However, the ILTD may want to establish its own pension plan or participate in the Florida Retirement System (FRS).
- d. Unused Vacation Leave Payout- Although a specific time cannot be determined as to when City employees of the library system would be terminated, when it does occur, the City will need to pay all terminated employees for their unused vacation time, and possibly compensatory time depending on the particular bargaining unit. Using January 31, 2014 as a sample date, we estimate the payout to be approximately \$1.3 million. However, there are many factors that will affect these balances, including any leave usage, accruals earned, changes in hourly pay, sellback of leave, the termination of any employees, etc. Therefore, it is difficult to predict what this number will be at the time of an unknown transition. The City would be responsible for funding this cost, just as it would with any other terminated employees.
- e. Unemployment – Once the City terminates the library employees, it is possible that employees could file for unemployment compensation through the State. It is not possible to estimate the City's future liability, but this is a cost the City would be required to fund.

7. **Property Insurance Coverage**

The City currently self-insures its real and personal property. As long as the City continues to own the property, it will be responsible for insuring it and should seek any reimbursement from the ILTD through an interlocal agreement. There may need to be changes to the coverage since the City will be allowing a third-party to use its facilities.

8. **Indemnity Clauses**

While the City owns the assets and allows the ILTD to utilize its facilities, the City will want to ensure that they are sufficiently protected from any negligence of the ILTD. Although ownership of the facilities will always place a level of responsibility on the City, any risks that are inherent from allowing a third party to use the City's facilities should be minimized where possible. Insurance policy amounts determined by the City's Risk Management should be required before ITLD occupies City property.

9. **Maintenance of Facilities**

The proposed J-bill states that the trustee board of the ILTD will manage, administer, operate, supervise, oversee, and maintain all library facilities and services, programs, and functions for the benefit of district residents. However, it will still need to be determined whether the City will maintain the facilities with current Public Works staff and be reimbursed by the ILTD or whether the ILTD will perform this function on its own. This would include routine maintenance, such as janitorial services, capital repairs and landscaping/mowing. This would need to be addressed in an interlocal agreement. Additionally, current contracts between the City and providers of such services would need to be examined for possible early termination if the ILTD decides to perform these functions on its own.

10. **Utilities**

Until any assets are transferred to the library system, any utility costs will more than likely be charged to the City. Therefore, such costs will need to be reimbursed by the ILTD. This reimbursement would need to be addressed in an interlocal agreement.