

OFFICE OF THE COUNCIL AUDITOR

FY 2014/2015 PROPOSED BUDGET

FINANCE COMMITTEE MEMBERS

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Meeting #4
August 14, 2014

**COUNCIL AUDITOR’S OFFICE
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**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2014/15 BUDGET
GENERAL COUNSEL (S/F 011)**

**PROPOSED BUDGET BOOK – Page # 220-221
ON SCREEN-Page # 228-229**

BACKGROUND:

This accounts for the Duval Legislative Delegation and the Judgments, Claims and Losses Division which provides resources to be used for the defense of the City against legal action.

REVENUES:

There are no revenues for the General Fund divisions of this department.

EXPENDITURES:

Significant changes in expenditures are as follows:

1. Salaries:
 - The increase of \$8,668 is due to an increase in salary for the one position.
2. Employer Provided Benefits:
 - The net increase of \$5,436 is mainly due to increases for pension contributions of \$4,531, hospitalization insurance of \$748, and Medicare of \$127.
3. Internal Service Charges:
 - The net increase of \$2,758 is mainly due to increases of \$2,368 for building cost allocation due to a recent move within the St. James Building, \$300 for copier consolidation, and \$101 for mailroom charges.
4. Internal Service – IT Operations
 - The change in information technology costs is a result of the newly implemented Customer Billing Model.
5. Other Operating Charges:
 - The net increase of \$143 is attributable to increases in general liability insurance of \$63, local mileage of \$49, dues, subscriptions, and memberships of \$20, travel expense of \$10, and postage of \$1. Of the net \$122,630 budgeted for other operating expenses, \$119,981 is budgeted for judgments, claims, and losses.

SERVICE LEVEL CHANGES:

There are no significant service level changes.

EMPLOYEE CAP CHANGES:

There are no employee cap changes.

RECOMMENDATIONS:

None

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2014/15 BUDGET
GENERAL COUNSEL (S/F 551)**

**PROPOSED BUDGET BOOK – Page # 222-224
ON SCREEN-Page # 230-232**

BACKGROUND:

This internal service accumulates and allocates the cost of the General Counsel's Office and recovers its costs via charges to its users/customers which include the City, independent authorities and boards/commissions of the government.

REVENUES:

NON-DEPARTMENTAL / FUND LEVEL ACTIVITIES

1. Transfers from Fund Balance:

- This is an appropriation of retained earnings of \$603,000.

OFFICE OF GENERAL COUNSEL

2. Charges for Services:

- The net increase of \$709,391 is the result of higher billings to other departments and agencies due to the reduction of staff vacancies.

EXPENDITURES:

Significant changes in expenditures are as follows:

NON-DEPARTMENTAL / FUND LEVEL ACTIVITIES

3. Salaries & Benefits Lapse:

- The lapse totaling \$355,967 (an increase of \$49,386) is calculated based on employee turnover history within the Office of General Counsel.

4. Contingencies:

- This line item represents a \$200,000 (or a \$121,229 increase to) reserve to pay settlements, judgments, and claims against the City. City Council approval is required prior to distribution of funds. There is no service level impact. Please note, within the Office of General Counsel's subfund 011 there is a proposed \$119,981 for misc. non-departmental expenditures which performs a similar task; however approval from Council is not required for sums under \$50,000.

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5. Salaries:

- The net increase of \$215,375 is mainly due to an increase in salaries through promotions and raises. Specifically, there are increases of \$212,844 in permanent and probationary salaries and \$2,531 in special pay.

6. Employer Provided Benefits:

- The net increase of \$114,116 is mainly due to increases in pension contributions of \$65,156, defined contribution pension of \$26,329, hospitalization insurance of \$11,549, and \$9,900 in FICA and Medicare taxes.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2014/15 BUDGET
GENERAL COUNSEL (S/F 551)**

**PROPOSED BUDGET BOOK – Page # 222-224
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7. Internal Service Charges:

- The net increase of \$17,419 is mainly due to an increase of \$50,003 for building cost allocations. This was somewhat offset by decreases in Tech Refresh Pay-Go of \$11,559, copy center charges of \$10,399, copier consolidation allocation of \$7,300, and mailroom charges of \$3,707.

8. Internal Service – IT Operations

- The change in information technology costs is a result of the newly implemented Customer Billing Model.

9. Other Operating Charges:

- The net increase of \$52,784 is mainly due to increases of \$54,000 for evictions and other court costs, \$7,095 for professional services, \$2,135 for dues, subscriptions, and memberships, and \$1,294 for general liability insurance. These increases were slightly offset by decreases for office supplies of \$4,182, misc. insurance of \$3,022, misc. service charges of \$2,000, local mileage of \$1,200 and travel expense of \$1,000.

10. Indirect Cost:

- The increase of \$2,897 is based on the annual indirect cost study performed by an independent consulting firm.

SERVICE LEVEL CHANGES:

There are no significant service level changes.

EMPLOYEE CAP CHANGES:

There are no employee cap changes.

RECOMMENDATION:

None

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2014/15 BUDGET
OFFICE OF ETHICS, COMPLIANCE, & OVERSIGHT (S/F 011)**

**PROPOSED BUDGET BOOK – Page #218-219
ON SCREEN – Page #226-227**

BACKGROUND:

This accounts for the Office of Ethics, Compliance, and Oversight which addresses citywide ethics issues.

REVENUES:

There are no revenues for this department.

EXPENDITURES:

Significant changes in expenditures are as follows:

1. Salaries:
 - The net increase of \$57,171 is due to the addition of 1,143 part-time hours to begin to implement an Inspector General function.
2. Employer Provided Benefits
 - The net increase of \$10,216 is due to increases in pension contribution of \$8,850, Medicare of \$1,528, and workers' compensation insurance of \$1,100. The increase was slightly offset by decreases in hospitalization insurance of \$1,239 and life insurance of \$23.
3. Internal Service Charges:
 - The net increase of \$19,448 is mainly due to an increase in OGC-Legal of \$19,142.
4. Internal Service – IT Operations
 - The change in information technology costs is a result of the newly implemented Customer Billing Model.
5. Other Operating Charges:
 - The net increase of \$508 is mainly due to an increase of \$500 in general liability insurance.

SERVICE LEVEL CHANGES:

Service level will increase due to the addition of \$57,171 in part-time salaries (1,143 part-time hours). OEEO plans to utilize \$50,000 to implement functions that are of an inspector general nature which includes examining the operations of the City government to discover possible waste, misconduct, fraud, or theft. An additional service level increase totaling \$7,171 is expected for citywide ethics training including training of elected officials.

EMPLOYEE CAP CHANGES:

Part-time hours have increased by 1,143 hours.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2014/15 BUDGET
OFFICE OF ETHICS, COMPLIANCE, & OVERSIGHT (S/F 011)**

**PROPOSED BUDGET BOOK – Page #218-219
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COMMENTS:

Ordinance 2014-519 has been introduced regarding the establishment of an Office of the Inspector General (IG). If established, the OECO states they would no longer require \$50,000 for part-time salaries related to implement the functions of the inspector general.

RECOMMENDATIONS:

1. We recommend employer provided benefits be reduced to the amounts shown in the table below. Employer provided benefits were increased to reflect the addition of a full-time position. However, there is no addition of a full-time position. The increase in part-time hours does not warrant an increase in employer provided benefits. The Department agrees with this recommendation. There is a positive impact to Special Council Contingency of \$3,650.

Sub-object	Item	Mayor's Proposed Budget	CAO Recommended Budget	Difference
02207	GEPP Disability Contribution	\$ 350	\$ 195	\$ (155)
02213	GEPP Defined Contribution	\$ 8,500	\$ 5,005	\$ (3,495)
		\$ 8,850	\$ 5,200	\$ (3,650)

2. We recommend group hospitalization insurance be reduced by \$5,000 to \$0. The department does not and has no intention of utilizing group hospitalization insurance. The department agrees with this recommendation. This will have a \$5,000 positive impact on Special Council Contingency.

Sub-object	Item	Mayor's Proposed Budget	CAO Recommended Budget	Difference
02304	Hospitalization Insurance	\$ 5,000	\$ 0	\$ (5,000)
		\$ 5,000	\$ 0	\$ (5,000)

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2014/15 BUDGET
MEDICAL EXAMINER
GENERAL FUND/GENERAL SERVICES DISTRICT (S/F 011)**

**PROPOSED BUDGET BOOK - Page # 202-203
ON SCREEN-Page # 210-211**

BACKGROUND:

The Medical Examiner provides autopsies, toxicological examinations, and histopathological preparations of tissues, autopsy reports, depositions, scene investigations, and expert witness testimony to Duval County, Nassau County, Clay County, the Department of Corrections of Union County, and parts of District III, which includes service to Columbia and Hamilton Counties. The Medical Examiner no longer provides services to Lafayette and Suwannee Counties within District III.

REVENUE:

Charges for Services:

- The increase of \$83,023 is primarily due to the fee increases for services to other counties in the amount of \$259,883, approved by Ordinance 2014-0043-E which are partially offset by decreases of \$103,924 due to the loss of contracts with Lafayette and Suwannee Counties within District III and approximately \$80,000 due to decreases in projected activity levels for FY2014/15.

FEE INCREASES:

These fees were increased during FY 2013/14 by ORD2014-0043:

Subobject	Description	Prior Fee	New Fee (per ORD 2014-0043)	Increase	Additional Expected Revenue Due to Increased Fees
34613	Autopsies – District III	\$ 2,225	\$ 3,000	\$ 775	\$ 65,100
34613	Inspections– District III	\$ 670	\$ 1,000	\$ 330	\$ 6,600
34613	Record Reviews– District III	\$ 370	\$ 500	\$ 130	\$ 1,170
34613	NME– District III	\$ 64	\$ 100	\$ 36	\$ 2,268
34614	Autopsies– *	\$ 2,225	\$ 3,000	\$ 775	\$ 143,375
34614	Inspections– *	\$ 670	\$ 1,000	\$ 330	\$ 34,320
34614	Record Reviews– *	\$ 370	\$ 500	\$ 130	\$ 2,730
34614	NME– *	\$ 64	\$ 100	\$ 36	\$ 4,320
					\$ 259,883

*This fee is assessed on Nassau County, Clay County and the Department of Corrections of Union County

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2014/15 BUDGET
MEDICAL EXAMINER
GENERAL FUND/GENERAL SERVICES DISTRICT (S/F 011)**

**PROPOSED BUDGET BOOK - Page # 202-203
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EXPENDITURES:

1. Salaries:

- The \$25,064 net increase in salaries is primarily due to mid-year raises and hiring of staff at rates higher than budgeted. During FY 2013/14, permanent and probationary salaries were increased by \$34,877 to accommodate for new hires that were paid at higher amounts than budgeted and \$34,367 in raises for employees. These increases are being offset by the elimination of part-time dollars totaling \$37,000. These mid-year increases in salaries are in addition to salary increases totaling \$246,570 appropriated by City Council in FY 2013/14. Although salary dollars were provided in FY2013/14 for a Toxicologist and an Associate Medical Examiner, as of 7/29/14 the Toxicologist position had not been filled and the Associate Medical Examiner position was not filled until 7/1/14.

	FY 12/13 Approved	FY 13/14 Approved	F 14/15 Proposed	Total Change Over Past 2 Years	% Change
Salaries	\$ 1,687,507.00	\$ 2,046,106.00	\$ 2,071,170.00	\$ 383,663.00	23%
Benefits	\$ 569,310.00	\$ 766,173.00	\$ 800,370.00	\$ 231,060.00	41%
Total	\$ 2,256,817.00	\$ 2,812,279.00	\$ 2,871,540.00	\$ 614,723.00	27%

2. Employer Provided Benefits:

- The increase of \$34,197 is primarily due to a \$41,314 increase in hospitalization insurance.

3. Internal Service Charges:

- The net decrease of \$7,251 is due to a reduction of \$5,400 in OGC legal charges, \$4,183 in utilities allocation – public works and \$2,775 Tech Refresh and Pay-Go. These decreases are somewhat offset by an increase of \$3,157 in fleet vehicle rental and \$2,122 in building maintenance.

4. Internal Services – IT Operations:

- The change in information technology costs is a result of the newly implemented Customer Billing Model.

5. Other Operating Expenses:

- The increase of \$99,571 is primarily the result of a \$100,760 increase in professional services due the body pickup rate increasing from \$65 per body to \$125. However, it appears that the professional services line related to this contract was over budgeted by \$28,635 (see recommendation section).

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2014/15 BUDGET
MEDICAL EXAMINER
GENERAL FUND/GENERAL SERVICES DISTRICT (S/F 011)**

**PROPOSED BUDGET BOOK - Page # 202-203
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6. Capital Outlay:

- Capital outlay is budgeted at \$4,300 for the purchase of microscopes and autopsy saws.

7. Extraordinary Lapse:

- There is no extraordinary lapse for FY 2014/15.

SERVICE LEVEL CHANGES:

The Medical Examiner no longer provides services to Lafayette and Suwannee Counties within District III.

EMPLOYEE CAP CHANGES:

There is no change in employee cap. Part time hours have been reduced from 6,240 to 0 due to a miscommunication between the Budget Office and the Department.

RECOMMENDATIONS:

Professional services should be reduced by \$28,635 to accurately reflect projected activity levels for FY 2014/15. This will have a positive impact of \$28,635 on Special Council Contingency.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2014/15 BUDGET
JACKSONVILLE HOUSING FINANCE AUTHORITY
HOUSING FINANCE AUTHORITY (S/F 721)**

**PROPOSED BUDGET BOOK – Page #197-199
ON SCREEN – Page #205-207**

BACKGROUND:

The Jacksonville Housing Finance Authority (JHFA) provides funds to support the development of housing for low-to-moderate income families through the issuance of tax exempt bonds. The bond proceeds are utilized to make low interest loans.

REVENUES:

Jacksonville Housing Finance Authority:

1. Miscellaneous Revenue:

- The net decrease of \$8,600 is mainly due to an expected reduction of \$12,000 in proceeds from miscellaneous sales and charges. These sales and charges represent payoffs of forgivable loans in the event of selling, refinancing or ceasing to occupy units. This is slightly offset by an increase of \$3,400 in anticipated mortgage interest income. Mortgage interest income is collected from the receipt of earnings on interest bearing mortgages. Aligned with the Jacksonville Affordable Housing Program, these mortgages are intended to assist persons with low income and those with special housing needs attain affordable housing.

2. Other Sources:

- The net decrease of \$58,525 is due to a reduction in proceeds from bond issuer fees.

Non-Departmental / Fund Level Activities:

1. Miscellaneous Revenue:

- The decrease of \$11,565 is due to a lower assumption in investment pool earnings based on the current year's amounts.

2. Transfers from Fund Balance:

- The decrease of \$225,175 is due to a reduction in the Fund Balance appropriation for FY 2014/15.

EXPENDITURES:

Jacksonville Housing Finance Authority:

1. Salaries:

- The decrease of \$256,985 is due to the removal of all three (3) positions, which will be funded by the Community Development Block Grant (CDBG) for FY 2014/15. The grant can be used to pay for personnel costs associated with JHFA's consolidated plan programs.

2. Employer Provided Benefits:

- The net decrease of \$67,821 is due to the transfer of (3) positions to the CDBG grant for FY 2014/15.

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COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2014/15 BUDGET
JACKSONVILLE HOUSING FINANCE AUTHORITY
HOUSING FINANCE AUTHORITY (S/F 721)**

**PROPOSED BUDGET BOOK – Page #197-199
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3. Internal Service Charges:

- The net decrease of \$3,702 is primarily due to a decrease of \$3,664 in OGC legal fees based on the current year's actual amounts.

4. Internal Service – IT Operations:

- The change in information technology costs is a result of the newly implemented Customer Billing Model.

5. Other Operating Expenses:

- The net increase of \$23,279 is primarily due to an increase of \$35,721 in miscellaneous services and charges. The miscellaneous services and charges cover 720 total hours of salaries and fringe benefits related to JHFA administrative services provided by two City employees that are not eligible to be funded by the grant. The increase is somewhat offset by a decrease of \$10,000 in professional services charges (mostly financial advising) due to a reduction in bond expenses.

6. Indirect Cost:

- This is an allocation calculated by the City's independent consulting firm as part of the full cost allocation plan study.

EMPLOYEE CAP CHANGES:

The employee cap was reduced to zero given that three (3) positions are to be funded by the Community Development Block Grant for FY 2014/15.

SERVICE LEVEL CHANGES:

None.

RECOMMENDATIONS:

None.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2014/15 BUDGET
GENERAL EMPLOYEES PENSION TRUST (S/F 611)**

**PROPOSED BUDGET BOOK – Page # 149-150
ON SCREEN-Page # 157-158**

BACKGROUND

The General Employees Pension Trust is the City's defined benefit pension fund for general employees. This fund records both employee and employer contributions, investment earnings, benefit payments and administrative expenses for the General Employees' Pension Fund. For FY 2014/15, the employers' pension contribution rate for general employees is 31.90% with 0.3% being distributed to the Disability Plan (S/F 614). Overall, the employer's contribution rate is going from 28.21% to 31.90%. The employees' contribution rate is 8% with 0.3% being distributed to the Disability Plan (S/F 614).

In addition to the City's general employees, this plan covers newly hired employees at Independent Agencies such as the Jacksonville Housing Authority and JEA. This plan also includes Clerk of the Courts State funded personnel who perform court-related functions.

REVENUE

1. Miscellaneous Revenue

- This revenue represents the amount of revenue needed from the Plan to fund the budgeted expenditures.

EXPENDITURES

1. Salaries

- The decrease of \$13,598 is mainly due to the elimination of \$10,000 in part-time salaries and \$5,000 in overtime.

2. Employer Provided Benefits

- The increase of \$11,004 is mainly due to increases of \$8,436 in general employees' pension contribution and \$2,389 in group hospitalization insurance.

3. Internal Service Charges

- The net increase of \$14,533 is primarily due to increases of \$18,803 in mailroom charges and \$8,735 in building cost allocation – St. James building. The mailroom increase is due to seeing the full effect of bringing printing and mailing of ACH notifications in-house, which are now only sent twice a year. These increases were offset by decreases of \$8,554 in copy center charges, \$2,323 in OGC legal charges, and \$2,128 in tech refresh and pay-go charges.

4. Internal Services – IT Operations

- The change in information technology costs is a result of the newly implemented Customer Billing Model.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2014/15 BUDGET
GENERAL EMPLOYEES PENSION TRUST (S/F 611)**

**PROPOSED BUDGET BOOK – Page # 149-150
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5. Other Operating Expenses

- The increase of \$1,869,673 is primarily due to an increase of \$1,886,707 in professional services attributable to an increase in money managers' fees budget, which is tied to investment returns. Below is a breakdown of all professional service contracts.

Description	Amount
MONEY MANAGERS	11,450,097.00
OUTSIDE LEGAL COUNSEL	18,600.00
CUSTODIAL FEES	176,700.00
ACTUARY FEES	65,100.00
PENSION PORTFOLIO CONSULTANT	269,700.00
INVESTMENT MGR PERFORMANCE TRACKING	6,510.00
	<u>11,986,707.00</u>

6. Supervision Allocation

- This amount represents the administrative cost of the Pension Administration activity, which is allocated to Correctional Officers' Pension Fund (SF 613).

7. Indirect Cost

- This is an allocation calculated by the City's independent consulting firm.

SERVICE LEVEL CHANGES

None.

EMPLOYEE CAP CHANGES

There are no changes to the employee cap.

SCHEDULE OF INVESTMENTS AT MARKET: *Per City Treasurer*

	June 30, 2013	June 30, 2014	Dollar Change	Percent Change
Bonds and Notes	\$ 364,976,297	\$ 388,508,196	\$ 23,531,899	6.4%
Common/Preferred Stock	\$ 1,248,984,140	\$ 1,422,331,483	\$ 173,347,343	13.9%
Cash Equivalents	\$ 48,677,229	\$ 35,902,201	\$ (12,775,028)	-26.2%
Real Estate	\$ 118,714,355	\$ 204,248,367	\$ 85,534,012	72.1%
Alternative Investments	\$ 50,451,406	\$ 52,841,340	\$ 2,389,934	4.7%
Total	\$ 1,831,803,427	\$ 2,103,831,587	\$ 272,028,160	14.9%

This includes General Employees (S/F 611), Corrections (S/F 613), and Disability (S/F 614) trust funds.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2014/15 BUDGET
GENERAL EMPLOYEES PENSION TRUST (S/F 611)**

**PROPOSED BUDGET BOOK – Page # 149-150
ON SCREEN-Page # 157-158**

GENERAL EMPLOYEES RETIREMENT PLAN FUNDING PROGRESS

Unfunded Actuarial Accrued Liability (UAAL) at October 1, 2013 (Per General Employees Retirement Plan Actuarial Valuation Report)

Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	UAAL	Funded Ratio
(a)	(b)	(a-b)	(b/a)
2,512,635,436	1,565,291,310	947,344,126	62.30%

RECOMMENDATION

1. We recommend the removal of 1,080 in part-time salary hours since there is no funding for part-time salaries in the proposed budget.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2014/15 BUDGET
CORRECTIONAL OFFICERS' PENSION FUND (S/F 613)**

**PROPOSED BUDGET BOOK – Page # 151-152
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BACKGROUND

The Correctional Officers' Pension Fund was established to provide pension benefits and protection for the correctional officers of the City of Jacksonville. The employer contribution for FY 2014/15 is 62.81% and the employee contribution is 8%. The employer contribution is up from 49.93% in FY 2013/14. The Correctional Officers' Pension Fund is also funded by an administrative surcharge of \$20 per person arrested and booked into the City's correctional facilities.

REVENUE

1. Fines and Forfeits
 - This amount represents the revenue received from the administrative surcharge of \$20 per person arrested and booked into the City's correctional facilities.
2. Miscellaneous Revenue
 - This revenue represents the amount of revenue needed from the Plan to fund the budgeted expenditures.

EXPENDITURES

1. Other Operation Expenses
 - The increase of \$142,225 is mainly attributable to increases for consultant fees paid to the money managers to manage the investments of the plan. The costs are prorated between this plan and the General Employees Trust fund (S/F 611) based on asset values. Here is a breakdown of the Professional Services included in the Correctional Officers' budget.

Description	Amount
MONEY MANAGERS	861,835.00
OUTSIDE LEGAL COUNSEL	1,400.00
CUSTODIAL FEES	13,300.00
ACTUARY FEES	4,900.00
PENSION PORTFOLIO CONSULTANT	20,300.00
INVESTMENT MGR PERFORMANCE TRACKING	490.00
	<u>902,225.00</u>

2. Supervision Allocation
 - This amount represents the administration cost of the Pension Administration activity which is charged to this fund by the General Employees Pension fund (SF 611).

EMPLOYEE CAP CHANGES

There are no positions in this subfund. All positions reside in the General Employees' Pension Plan.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2014/15 BUDGET
CORRECTIONAL OFFICERS' PENSION FUND (S/F 613)**

**PROPOSED BUDGET BOOK – Page # 151-152
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CORRECTIONAL OFFICERS' PENSION FUND FUNDING PROGRESS

Unfunded Actuarial Accrued Liability (UAAL) at October 1, 2013 (Per Correctional Officers' Pension Fund Actuarial Valuation Report)

Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	UAAL	Funded Ratio
(a)	(b)	(a-b)	(b/a)
271,073,724	120,947,042	150,126,682	44.62%

RECOMMENDATIONS

None.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2014/15 BUDGET
DISABILITY PENSION TRUST (S/F 614)**

**PROPOSED BUDGET BOOK – Page #153-154
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BACKGROUND

The Disability Pension Trust is the disability plan for general employees who participate in the General Employees Pension Plan (S/F 611). This fund records both employee and employer contributions, investment earnings, benefit payments and administrative expenses for the General Employees' Pension Fund. For FY 2013/14, the employers' pension contribution rate for general employees is 31.90% with 31.60% being distributed to the General Employees Pension Trust (S/F 611) and 0.3% being distributed to this subfund. The employees' contribution rate is 8% with 7.7% being distributed to the General Employees Pension Trust (S/F 611) and 0.3% being distributed to this subfund.

In addition to the City's general employees, this plan covers newly hired employees at Independent Agencies such as the Jacksonville Housing Authority and JEA. This plan also includes Clerk of the Courts State funded personnel who perform court-related functions.

REVENUE

1. Miscellaneous Revenue

- This revenue represents the revenue from the plan to fund the budgeted expenditures.

EXPENDITURES

1. Other Operating Expenses

- The decrease of \$5,000 is to bring the budget for actual pension disability physical examination fees in line with historical actual costs.

EMPLOYEE CAP CHANGES

There are no positions in this subfund. All positions reside in the General Employees' Pension Plan.

GENERAL EMPLOYEES' DISABILITY PROGRAM FUNDING PROGRESS

Unfunded Actuarial Accrued Liability (UAAL) at October 1, 2012 (Per Disability Program Actuarial Valuation Report)*

Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	UAAL	Funded Ratio
(a)	(b)	(a-b)	(b/a)
11,678,567	5,049,000	6,629,567	43.23%

*Please note a report was not conducted for October 1, 2013.

RECOMMENDATION

None.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
POLICE & FIRE PENSION ADMINISTRATION (S/F 621)
2014/15 PROPOSED BUDGET**

BACKGROUND:

The Police and Fire Pension Fund is not included in the Mayor's Proposed Budget because the Police and Fire Pension Fund is governed by an appointed Board of Trustees. Pursuant to Sections 5.07, 14.01 and 14.02 of the City Charter; Sections 121.101 (d) of the Ordinance Code and Section 25 of the Settlement Agreement dated March 5, 2001, the Board is required to submit its budget to the City Council for approval.

The Police and Fire Pension Fund budget is divided into Administrative Expenditures (\$11,142,992), Building Operations (\$329,450) and Parking Garage Operations (\$19,150) for a total budget of \$11,491,592, which is an increase of \$3,242,237 from the current budget of \$8,249,355.

ADMINISTRATIVE EXPENDITURES:

	FY 2013/14	FY 2014/15	Change from FY 2013/14	
	Approved	Proposed	Dollar	Percent
Administrative Expenditures				
Personnel Services	1,017,070	1,350,218	333,148	32.76% (A)
Operating Expenses	7,020,845	9,792,774	2,771,929	39.48% (B)
	8,037,915	11,142,992	3,105,077	38.63%

(A) Personnel services are increasing because of the funding of the Deputy Director – Assistant Administrator (\$120,000) which was unfunded in FY 2013/14 and because of increases for Terminal Leave (\$118,545), Pension Contributions (\$52,181) and the removal of the \$20,800 personnel lapse.

(B) The change in Operating Expenses is caused by increases for Professional Services (\$2,090,725) and the removal of the extraordinary lapse (\$650,000).

Professional Services Contracts Detail

Services	FY 2013/14 Approved	FY 2014/15 Proposed	Dollar Change	Percent Change	
Money Managers	\$ 6,292,248	\$ 8,439,008	\$ 2,146,760	34.12%	(C)
Actuary	110,200	110,200	-	0.00%	
Auditor	35,000	29,465	(5,535)	-15.81%	
Investment Advisor	245,864	245,864	-	0.00%	
Investment Custodian	80,000	32,500	(47,500)	-59.38%	
Investment Money Managers STIF Expenses	40,000	-	(40,000)	-100.00%	(D)
Legal	348,000	400,000	52,000	14.94%	
Lobbyist	45,000	-	(45,000)	-100.00%	(E)
Medical	10,000	15,000	5,000	50.00%	
Appraiser for Buildings - Real Estate Investments	10,000	5,000	(5,000)	-50.00%	(F)
Media Relations Management	-	30,000	30,000	N/A	(G)
	<u>\$ 7,216,312</u>	<u>\$ 9,307,037</u>	<u>\$ 2,090,725</u>	28.97%	

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
POLICE & FIRE PENSION ADMINISTRATION (S/F 621)
2014/15 PROPOSED BUDGET**

- (C) Per Police and Fire Pension Fund, the fees paid to the Money Managers are tied to the performance of the investments. The better the investments perform the more fees the managers earn and vice versa.
- (D) This cost is now included in the Money Managers category for consistency.
- (E) We have been informed they are still determining whether to fund the Lobbyist or the Media Relations Management firm in the upcoming year. See Note G below.
- (F) Costs of valuation of Police and Fire Pension Fund owned buildings.
- (G) The fund is considering a contract to bring on a media relations person on a contract basis.

BUILDING OPERATIONS:

The Police and Fire Pension Fund owns the building located at One West Adams Street in which the administrative staff of the Fund is housed. The Fund leases out additional office space in the building.

	FY 2013/14 Approved	FY 2014/15 Proposed	Dollar Change	Percentage Change
Revenues	\$ 414,022	\$ 427,009	\$ 12,987	3.14%
Expenses				
Operating	\$ 150,380	\$ 329,450	\$ 179,070	119.08% (H)
Capital Outlay	-	-	-	N/A
Total Expenses	\$ 150,380	\$ 329,450	\$ 179,070	119.08%
Surplus/(Deficit)	\$ 263,642	\$ 97,559	\$ (166,083)	-63.00%

- (H) Per the Police and Fire Pension Fund, the increase is mainly due to the build out cost of the second floor for a new tenant.

PARKING GARAGE OPERATIONS:

The Police and Fire Pension Fund owns the Monroe Street Parking Garage which has approximately 240 parking spaces. The fund leases out to various entities and individuals.

	FY 2013/14 Approved	FY 2014/15 Proposed	Dollar Change	Percentage Change
Revenues	\$ 71,084	\$ 112,355	\$ 41,271	58.06%
Expenses				
Operating	\$ 61,060	\$ 19,150	\$ (41,910)	-68.64% (I)
Capital Outlay	-	-	-	N/A
Total Expenses	\$ 61,060	\$ 19,150	\$ (41,910)	-68.64%
Surplus/(Deficit)	\$ 10,024	\$ 93,205	\$ 83,181	829.82%

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
POLICE & FIRE PENSION ADMINISTRATION (S/F 621)
2014/15 PROPOSED BUDGET**

- (I) The increase in the prior year was mainly due to the funding of a project to waterproof the stairwells. This is back to normal expense level.

MARKET VALUE OF INVESTMENTS: Per Summit Strategies

The Market value of the assets changed from \$1,293,868,150 as of June 30, 2013 to \$1,578,353,181 as of June 30, 2014, which is an increase of \$284,485,031.

EMPLOYEE CAP CHANGES:

One vacant position was added to increase the employee cap from seven to eight.

Position Description 2013/2013	2013/14 Approved	Position Description 2014/15	2014/15 Proposed	Dollar Change	% Change	
Executive Director/Administrator	\$ 299,622	Executive Director/Administrator	\$ 308,612	\$ 8,990	3%	(J)
Deputy Director-Assistant Administrator	\$ -	Deputy Director-Assistant Administrator	\$ 120,000	120,000	N/A	(K)
Controller	100,642	Controller	102,750	2,108	2%	
Pension Benefits Manager	92,368	Pension Benefits Manager	93,123	755	1%	
Executive Assistant	61,861	Executive Assistant	63,919	2,058	3%	
Building Services Manager	64,885	Building Services Manager	67,079	2,194	3%	
Senior Pension Benefits Specialist	56,463	Pension Benefits Specialist/Economic Research	55,143	(1,320)	-2%	
Pension Benefits Specialist	50,272	Pension Benefits Specialist	50,662	390	1%	
Part-Time Economic Research Analyst	20,800	Part-Time Economic Research Analyst	20,800	-	0%	
	\$ 746,913		\$ 882,088	\$ 135,175	18%	

- (J) The 5th Amendment to the Restated Employment Contract between the Police and Fire Pension Fund and the Executive Director states "Effective for the first pay period after January 1st 2011, the salary of the Executive Director - Administrator shall be raised to the average salary of the Executive Director of the Jacksonville Aviation Authority, the Jacksonville Port Authority and the Jacksonville Transportation Authority as reported to the Board by the Independent Compensation Consultant. The Salary increase for the Executive Director - Administrator will accrue and be paid in December, 2011." Also it should be noted that after January 1st of each year the Agreement is in effect, the Executive Director's salary will be increased by 3%.

- (K) The Deputy Executive Director position became vacant during Fiscal Year 2011-2012. They chose to not fill it in FY 2013/14; however, funding has been added back for FY 2014/15.

POLICE AND FIRE PENSION PLAN FUNDING POSITIONS

Unfunded Actuarial Accrued Liability (UAAL) at October 1, 2013 (Per PFPF Actuarial Valuation Report)

Actuarial Accrued Liability (AAL)	Actuarial Value of Assets*	UAAL	Funded Ratio
(a)	(b)	(a-b)	(b/a)
2,876,606,192	1,228,131,184	1,648,475,008	42.69%

*Does not include \$60,915,907 in reserve accounts.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
POLICE & FIRE PENSION ADMINISTRATION (S/F 621)
2014/15 PROPOSED BUDGET**

RECOMMENDATIONS:

- 1) We recommend reducing the amounts budgeted for various internal service allocations by a net \$58,322. This would make the budgeted expenses within the Police and Fire Pension Fund reflect the revenue amounts budgeted by the internal service providers. This will result in a corresponding reduction in Trust Fund Revenues since this is the balancing line item for this budget. We also recommend the Schedules AB and AC of the Budget Ordinance be adjusted to reflect these changes. These adjustments have no impact on the Special Council Contingency.
- 2) We recommend splitting the estimated revenue and appropriations for the building and parking garage operations on Schedule AB & AC. This has no impact on the Special Council Contingency.
- 3) We recommend removing the words "Exhibit A" from Proposed Schedules AB and AC. We also recommend making other formatting changes to make the schedules consistent with the prior year. This has no impact on the Special Council Contingency.

**JACKSONVILLE POLICE AND FIRE PENSION FUND
JACKSONVILLE, FLORIDA
BUDGET FISCAL YEAR 2014/2015**

Exhibit A

REVENUES - SCHEDULE AB

Trust Fund Revenues	\$	10,952,228
Rental Revenues	\$	539,364
Total Revenues	\$	11,491,592

EXPENDITURE APPROPRIATIONS - SCHEDULE AC

<u>Administration</u>		
Personnel Services	\$	1,350,218
Operating Expenses	\$	9,792,774
Capital Outlay	\$	-
Total Administration	\$	11,142,992
<u>Rental</u>		
Operating Expense	\$	348,600
Capital Outlay	\$	-
Total Rental	\$	348,600
Total Expenditure Appropriations	\$	11,491,592

**POLICE AND FIRE PENSION FUND
JACKSONVILLE, FLORIDA
BUDGET FISCAL YEAR 2014/2015**

REVISED SCHEDULE AB

ESTIMATED REVENUES

Trust Fund Revenues	\$ 10,893,906
HQ Building Operations	427,009
Parking Garage Operations	112,355
Total Estimated Revenues	\$ 11,433,270

REVISED SCHEDULE AC

APPROPRIATIONS

<u>Administration</u>	
Personnel Services	\$ 1,350,218
Operating Expenses	9,734,452
Capital Outlay	-
Total Administration	\$ 11,084,670
<u>Rental</u>	
HQ Building Operations	\$ 329,450
Parking Garage Operations	19,150
Total Rental	\$ 348,600
Total Appropriations	\$ 11,433,270

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2014/15 BUDGET
GENERAL CAPITAL PROJECTS (S/F 322)**

**PROPOSED BUDGET BOOK – Page #28-29
ON SCREEN – Page #36-37**

BACKGROUND:

This fund houses appropriated pay-go and Banking Fund borrowed funds prior to FY 2008/09. The only activity in this fund is an annual loan repayment amount and other non-interest pay-go capital projects.

REVENUE:

Non-Departmental / Fund Level Activities:

Transfers From Other Funds:

- The \$384,000 amount represents the transfer from the Municipal Stadium fund (S/F 4A1) for a loan repayment which is based upon a repayment schedule that was established at the time the loan was issued. In the FY 2015/16, based on the repayment schedule, this transfer from the Municipal Stadium Fund will increase to \$980,000. The FY 2013/14 Original Budget is not comparable to the Mayor's Proposed FY 2014/15 budget because of the debt refinance savings that were placed in this fund.

EXPENDITURES:

Non-Departmental / Fund Level Activities:

1. Transfers to Other Funds:

- In the FY 2013/14, one-time debt savings on debt refinancing were transferred from here to the Fleet Vehicle Replacement fund to buy Fire Rescue vehicles. Given that this was a one-time savings, there is not a transfer out in FY 2014/15.

2. Cash Carryover:

- This is the loan repayment of \$384,000 as mentioned above.

EMPLOYEE CAP CHANGES:

There are no positions in this subfund.

SERVICE LEVEL CHANGES:

None.

RECOMMENDATIONS:

None.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2014/15 BUDGET
EMERGENCY CONTINGENCY (S/F 018)**

**PROPOSED BUDGET BOOK – Page #117-118
ON SCREEN – Page #125-126**

BACKGROUND:

This fund is the General Fund's Emergency Contingency, which was moved to a separate fund pursuant to Municipal Code Section 106.106. The goal, as stated in Municipal Code section 106.107, is that this fund should be approximately equal to seven percent (25.5 days average cash flow) of the total General Fund/General Services District budgeted expenditures. To meet this goal, the proposed budget would need to be \$73.3 million.

REVENUE:

1. Miscellaneous Revenue:

- Interest earnings for FY 2014/15 are expected to increase by \$195,921 due to projected higher returns on investments.

2. Transfers from Fund Balance:

- This represents the estimated FY 2013/14 ending cash balance.

EXPENDITURES:

1. Cash Carryover:

- This amount is the estimated FY 2014/15 ending cash balance including interest income.

EMPLOYEE CAP CHANGES:

There are no employees associated with this subfund.

COMMENTS:

At current funding levels, the Emergency Contingency Fund does not achieve the target requirements as set forth by section 106.106 and 106.107. In order for this fund to achieve the minimum target percentage (5%), total budgeted revenues should exceed \$52,360,288. To achieve this level of funding, an additional transfer of \$2,435,324 would be required.

RECOMMENDATION:

None.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2014/15 BUDGET
PUBLIC HEALTH
GENERAL FUND / GENERAL SERVICES DISTRICT (S/F 011)**

**PROPOSED BUDGET BOOK – Page #312-313
ON SCREEN-Page #320-321**

BACKGROUND:

The Duval County Health Department is a partnership between the State of Florida and the City of Jacksonville. The funding for the Duval County Health Department comes from the State of Florida, the City of Jacksonville, and from county fees for vital statistics, communicable disease, primary care and environmental health.

REVENUE:

There are no revenues associated with the Duval County Health Department.

EXPENDITURES:

1. Internal Service Charges:

- The net increase of \$124,262 is primarily due to an increase in building maintenance allocation cost.

2. Other Operating Expenses:

- The increase of \$4,328 is due to an increase in miscellaneous insurance charges.

3. Grants, Aids and Contributions:

- The decrease of \$31,202 is mainly due to the elimination of a \$33,216 City match made to the “Healthy Kids, Healthy Communities” Grant in FY 2013/14. This grant was not budgeted for continuation in FY 2014/15.

Program Name	Total Award Federal/State/ Others + City	Federal/State/ Others Contribution	City Required Contribution	Mayor's Proposed Budget Match	Amount Over/(Under) Budgeted
LIP-NE Florida Metabolic Syndrome Inst.	1,500,000	1,107,600	392,400	392,400	-
AGAPE Community Health Center General Grant	200,741	117,775	82,966	82,966	-
Emergency Room Alternative Program	700,000	410,690	289,310	289,310	-
Total	\$ 2,400,741	\$ 1,636,065	\$ 764,676	\$ 764,676	\$ -

EMPLOYEE CAP CHANGES:

There are no City funded positions.

SERVICE LEVEL CHANGES:

None

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2014/15 BUDGET
PUBLIC HEALTH
GENERAL FUND / GENERAL SERVICES DISTRICT (S/F 011)**

**PROPOSED BUDGET BOOK – Page #312-313
ON SCREEN-Page #320-321**

CAPITAL OUTLAY CARRYFORWARD:

None

RECOMMENDATIONS:

None