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| **LORI N. BOYER**  Council Member, District 5  Office (904) 630-1382  Fax (904) 630-2906  E-Mail: [lboyer@coj.net](mailto:lboyer@coj.net) |  | 117 West Duval Street  City Hall, Suite 425  Jacksonville, FL 32202  TDD: (904) 630-1580 |
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| **OFFICE OF THE CITY COUNCIL** |
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**Meeting Minutes for Council Member Lori N. Boyer & Vice President Anderson**

**Tuesday, November 18 at 2:00 p.m.**

**Topic:** The meeting was held to discuss cash management practices, audit testing and cash deficit.

**Location:** Conference Room A, 4th Floor, 117 West Duval St., City Hall, Jacksonville, FL

**City Attendees**: Vice President Greg Anderson, Council Members Lori Boyer, Jim Love, Kirk Sherman (Council Auditor’s Office), Phillip Peterson (Council Auditor’s Office), Heather Reber (Council Auditor’s Office), Sheryl Steckler (Office of General Council), Joel Provenza (Accounting), Jim Behrenot (Accounting), Judith Garard (Finance, Treasury), Patti Coleman (Finance, Accounting), Glenn Hansen (Budget), Teresa Eichner (Mayor’s Office), Nicole Spradley (ECA), Kevin Kuzel (ECA) and Leeann Krieg (ECA).

**Meeting Convened:** 2:00 p.m.

Council Member Lori Boyer opened the meeting and introductions were made.

Council Member Boyer called this meeting because there is a committee reviewing the City’s debt positions, borrowing and cash management practices. They want to get a better understanding on total authorized, expenditures on capital projects, and how much has already been borrowed, how much still needs to be borrowed, where we stand with cash.

Council Boyer referenced the two revelations on the handout.

1. Borrowing in arrears/cash deficit and impact on debt service
2. Expenditure in excess of funds available from authorized source

Council member Boyer explained that the City does not borrow all of the money for a project upfront and they use a cash deficit model. She stated that the City Council has not been able to get a definitive answer as to what the aggregate amount of the cash deficit total is. Working through the Better Jacksonville Plan, they learned that there was a project budget associated with project descriptions and a revenue source ($1.5 billion in bonds and sales tax revenue) that the City Council authorized. The revenue never materialized to the extent that it was projected, but the City spent at least $15 million, and the committee believes it is more like $40 million.

Moving forward, Council Member Boyer would like to know what policies or tools should be implemented in order to ensure that funds are not spent past the revenue source.

Brett Friedman explained that McGladrey issues an opinion on whether the financial units are fairly stated by each opinion unit. Those opinion units are defined within each of the City’s major funds as they are reported and do not go down into the subfund level. In certain instances there are restrictions where cash must be set aside separately, if there are no provisions that state the cash must be set aside then you can operate under a pooled cash system.

Brett Friedman answered Council Member Boyer’s question regarding trust funds stating that you would have to look into the underlying restrictions in legislation or an accounting principal to determine if cash could be pooled.

Brett Friedman addressed Councilman Anderson’s question by explaining that McGladrey tests the City’s financial activity which includes testing the financial system.

Kirk Sherman explained that the outside auditors are certifying the overall fund levels and can tell us what we have spent and what was authorized. The City is perhaps looking at $50 million to $100 million in borrowing in the short term to just even things out from what has been encumbered and contracted. Once that is done, then there is another $5, $10, $15 million a year in debt service that is already authorized, but the City will not see the impact until a year or two down the road.

Kirk Sherman answered Council Member Boyer’s question explaining that a fund is a conglomerate of funds that include sub funds.

Council Member Boyer asked the representative’s from McGladrey to work with Kirk Sherman to advice the City Council on policies to implement to address due to’s and due from’s.

Brett Friedman explained that a due to and due from is short term and is expected to be paid in the subsequent year otherwise there is an accounting mechanism advance to and advance from that are explicitly long term borrowing between funds.

Brett Friedman answered Sheryl Steckler’s questions stating that McGladrey has been the City’s outside auditor for about four years and they have not seen anything specific that was a red flag.

Council Member Boyer referred to the handout to go over questions.

1. Brett Friedman responded yes
2. Brett Friedman responded yes, it depends on the authorized legislation.

Jeff Zeichner responded to Council Member Boyer’s question about implementation stating that budgeting is not part of the scope with the audit and that equity comes to the budget as the cash carries forward.

Council Member Boyer said the Council is looking for a way to prevent negative spending.

1. Jeff Zeichner explained that due to and due from are current in nature and footnote 7 discloses each of the due to’s and due from’s and has an explanation for each significant item. There isn’t one footnote that ties everything together, but there is a footnote that shows the pledge revenue which shows the projected future revenue sources.
2. Jeff Zeichner said that McGladrey is the auditor for JTA and so for example they send confirmations to the City asking how much the City owes JTA.

Council Member Boyer requested a copy of the schedule of inner-fund balances. This report will be released on December 5, 2014.

1. Council Member Boyer said this was already discussed and that it would be done through legislation.
2. Brett Friedman will follow up with Kirk Sherman. This would involve the budget process and looking at the cash being carried forward and specifically what cash is being set aside. Angela Moyer is looking into all of the various funding sources on a project to project basis.
3. Brett Friedman recommended looking at future in flows.

Council Member Boyer ended the meeting.

**Meeting Adjourned:** 2:59 p.m.

**Minutes:** Minutes completed by Nicole Spradley, ECA District 5, on Thursday, November 20, 2014

cc: Council Members/Staff

Cheryl Brown, Director/CouncilSecretary

Dana Farris, Chief, Legislative Services Division

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