

OFFICE OF THE COUNCIL AUDITOR

FY 2016/2017 PROPOSED BUDGET

FINANCE COMMITTEE MEMBERS

Anna Lopez Brosche – Chair
Matt Schellenberg – Vice Chair
Greg Anderson
Aaron L. Bowman
Katrina Brown
Bill Gulliford
Samuel Newby



Meeting #7
August 26, 2016

**COUNCIL AUDITOR'S OFFICE
TABLE OF CONTENTS
MEETING #7**

Finance and Administration	1
Driver Education Safety Trust	4
Motor Vehicle Inspection	5
Self Insurance.....	7
Insured Programs	9
General Employees Pension Fund	11
Correctional Officers Pension Trust	14
Disability Pension Trust Fund	16
Police and Fire Pension.....	17

**COUNCIL AUDITOR'S OFFICE
 COMMENTS AND RECOMMENDATIONS
 MAYOR'S PROPOSED FY 2016/17 BUDGET
 FINANCE AND ADMINISTRATION
 GENERAL FUND/GENERAL SERVICES DISTRICT (S/F 011)**

PROPOSED BUDGET BOOK - Page # 147-148

BACKGROUND

Ordinance 2016-140-E approved the reorganization of this Department. The General Fund portion of the Department previously included the Office of the Director, Accounting, Budget Office and Treasury. The reorganization added several activities under the Office of the Director, including the Grants and Contract Compliance Office and the Gateway Customer Service Center. The reorganization also added the Procurement Division, which includes Buying and Administration, the Equal Business Opportunity Office and the Office of the Ombudsman.

REVENUE

1. Charges for Services

- This revenue totaling \$66,096 is generated by the Equal Business Opportunity office for training it provides to other independent authorities. There was no change in the budgeted amount from FY 2015/16 when it was recorded under a different department.

EXPENDITURES

The summary below represents a comparison of all FY 2015/16 adopted and FY 2016/17 proposed budgeted expenditures, including those for the Grants and Contract Compliance Office and the Gateway Customer Service Center, and the Procurement Division.

<u>EXPENDITURES</u>	<u>FY 15-16 ADOPTED</u>	<u>FY 16-17 PROPOSED</u>	<u>PERCENT CHANGE</u>	<u>DOLLAR CHANGE</u>
Salaries	\$ 5,122,320	\$ 5,625,915	10%	\$ 503,595
Pension Costs	1,419,236	1,534,359	8%	115,123
Employer Provided Benefits	905,166	907,232	0%	2,066
Internal Service Charges	2,085,697	2,198,479	5%	112,782
Insurance Costs and Premiums	20,462	28,365	39%	7,903
Professional and Contractual Services	838,199	836,976	0%	(1,223)
Other Operating Expenses	254,496	260,492	2%	5,996
Capital Outlay	5	4	-20%	(1)
Grants, Aids, and Contributions	3,000	3,000	0%	-
TOTAL EXPENDITURES	\$ 10,648,581	\$ 11,394,822	7%	\$ 746,241

1. Salaries

- Of the \$503,595 increase, \$229,970 is due to positive salary adjustments for 26 positions and \$95,498 is to fund 1,040 new and 2,080 existing part time salaries which were previously unfunded. The remainder is attributable to employee turnover and the addition of two funded positions.

2. Pension Costs

- The \$115,123 increase is primarily due to the increased contribution rate, salary adjustments noted above, and pension election changes.

**COUNCIL AUDITOR'S OFFICE
 COMMENTS AND RECOMMENDATIONS
 MAYOR'S PROPOSED FY 2016/17 BUDGET
 FINANCE AND ADMINISTRATION
 GENERAL FUND/GENERAL SERVICES DISTRICT (S/F 011)**

PROPOSED BUDGET BOOK - Page # 147-148

3. Internal Service Charges

- The net increase of \$112,782 is due to a \$281,642 increase in computer system maintenance costs that primarily resulted from a change in ITD's billing methodology for certain application services. The increase was offset by a \$105,011 decrease in OGC legal allocations that were due to a reduction in actual usage.

DIVISIONAL CHANGES (Restated per the reorganization):

EXPENDITURES	FY 15-16 ADOPTED	FY 16-17 PROPOSED	PERCENT CHANGE	DOLLAR CHANGE	
Accounting	\$ 3,375,405	\$ 3,660,728	8%	\$ 285,323	A
Budget Office	\$ 1,032,112	\$ 1,116,212	8%	\$ 84,100	B
Office of the Director	\$ 2,363,903	\$ 2,568,846	9%	\$ 204,943	C
Procurement	\$ 2,883,885	\$ 3,072,547	7%	\$ 188,662	D
Treasury	\$ 993,276	\$ 976,489	-2%	\$ (16,787)	
TOTAL EXPENDITURES	\$ 10,648,581	\$ 11,394,822	7%	\$ 746,241	

- A. The \$285,323 increase for Accounting was primarily due to an additional \$147,990 in computer system maintenance costs that resulted from a change in ITD's allocation method. In addition, salary costs increased by \$132,167 due to positive salary adjustments for 12 positions, employee turnover and vacancies being filled at a higher salary rate, and an additional two (2) funded positions from FY 2015/16.
- B. The \$84,100 increase for the Budget Office was due to increases of \$44,503 for pension costs primarily attributable to the higher contribution rate, \$26,208 for permanent and probationary salaries as a result of positive salary adjustments for three (3) positions, and \$11,095 for computer system maintenance costs as a result in a change in ITD's billing methodology.
- C. The \$204,943 increase for the Office of the Director was primarily due to an additional \$199,544 in salary costs that resulted from one additional position, additional part time salaries and a salary adjustment for one existing position.
- D. The \$188,662 increase for Procurement was primarily due to additional computer system maintenance costs that resulted from a change in ITD's allocation method.

SERVICE LEVEL CHANGES:

None.

CAPITAL OUTLAY CARRYFORWARD:

None.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2016/17 BUDGET
FINANCE AND ADMINISTRATION
GENERAL FUND/GENERAL SERVICES DISTRICT (S/F 011)**

PROPOSED BUDGET BOOK - Page # 147-148

EMPLOYEE CAP CHANGES:

Of the cap increase of 42 positions and 1,040 part-time hours, 37 positions and 1,040 part-time hours is due to the reorganization. Two (2) positions were added to the Accounting Division during FY 2015/16, and three (3) unfunded positions are proposed to be added in the Accounting Division for FY 2016/17.

RECOMMENDATIONS:

None.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2016/17 BUDGET
FINANCE AND ADMINISTRATION
DRIVER EDUCATION SAFETY TRUST (S/F 1HA)**

PROPOSED BUDGET BOOK – Page # 151-152

BACKGROUND:

The Driver Education Safety Trust was authorized by Ordinance 2002-1165-E. Funding is provided by an additional \$3 levy on each civil traffic penalty. The funding is used for driver education programs in public and non-public schools. The expenditures budgeted are managed by Duval County School Systems. This is an all-year's fund.

REVENUES:

Significant changes to revenue are as follows

1. Charges for Services:

- The increase of \$189,665 in traffic court criminal & civil service charges is due to a FY 2015/16 all-year's adjustment. The budget amount of \$288,024 represents anticipated fines received for FY 2016/17.

2. Investment Pool/Interest Earnings:

- The amount of \$11,976 represents anticipated interest earnings for FY2016/17.

EXPENDITURES:

Significant changes to expenditures are as follows

3. Grants, Aids & Contributions:

- The amount of \$300,000 is a pass-through of 100% of the revenue to the Duval County School System.

SERVICE LEVEL CHANGES:

None.

EMPLOYEE CAP CHANGES:

There are no authorized positions in this subfund.

RECOMMENDATION:

None

**COUNCIL AUDITOR'S OFFICE
 COMMENTS AND RECOMMENDATIONS
 MAYOR'S PROPOSED FY 2016/17 BUDGET
 FINANCE AND ADMINISTRATION
 MOTOR VEHICLE INSPECTION (S/F 431)**

PROPOSED BUDGET BOOK – Page 157-158

BACKGROUND:

The Fleet Management Division manages the inspection stations for school buses, city vehicles and vehicles for hire. Ordinance 2016-140-E transferred this activity and this subfund from the Office of Economic Development Department to the Finance and Administration Department.

REVENUE:

1. Charges for Services:

- The decrease of \$32,228 is primarily due to an expected decrease in vehicle inspection revenue based on the recommendations from the Special Committee on Vehicles for Hire. Also, see concern below regarding medallion renewal fees.

FEE CHANGES:

The following fee changes were made in FY 2015/16:

Description	Current Fee	New Fee	Expected Revenue Change
Privately Owned/Not For Hire & City Vehicles	\$7.73	\$10.46	\$2,555
Vehicle for Hire (120 day)	\$15.00	\$16.50	\$1,070
Standard Bus	\$16.37	\$18.10	\$67
Re-Inspections	\$10.80	\$13.60	\$322

\$4,014

EXPENDITURES:

1. Salary and Benefits Lapse:

- This reflects an estimated salary and benefit lapse based on the average turnover ratio and estimated number of vacancies in FY 2016/17.

2. Pension Costs:

- The net decrease of \$7,482 is mostly due to two new employees electing to participate in the defined contribution plan instead of the defined benefit plan.

3. Employer Provided Benefits:

- The increase of \$2,700 is due to a new employee electing a health insurance plan with a higher premium cost.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2016/17 BUDGET
FINANCE AND ADMINISTRATION
MOTOR VEHICLE INSPECTION (S/F 431)**

PROPOSED BUDGET BOOK – Page 157-158

4. Internal Service Charges:

- The net decrease of \$5,753 is primarily due to a decrease of \$5,419 in building maintenance cost based on prior year actuals.

5. Cash Carryover:

- This represents the excess of proposed revenue over budgeted expenditures for FY 2015/16. No cash carryover is budgeted for FY 2016/17.

EMPLOYEE CAP CHANGES:

There are no employee cap changes.

SERVICE LEVEL CHANGES:

None.

CONCERN:

There is currently a temporary moratorium for all medallion renewal and late fees pertaining to vehicles for hire until September 30, 2016 pursuant to Ordinance 2016-422-E. If this moratorium is extended to FY 2016/17 through new legislation, this will have a negative impact of approximately \$95,000 in medallion renewal fees for vehicles for hire which is not currently reflected in the proposed budget.

RECOMMENDATION:

None.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2016/17 BUDGET
RISK MANAGEMENT DIVISION
SELF-INSURANCE (S/F 561)**

PROPOSED BUDGET BOOK - Page # 183-185

BACKGROUND

This fund administers a self-insured Worker's Compensation and General Auto/Liability program for the City and independent agencies such as the Jacksonville Electric Authority, Jacksonville Port Authority, Jacksonville Housing Authority and the Jacksonville Aviation Authority. As an internal service fund, revenues are generally billings to other City funds and independent agencies. Exceptions to this rule include interest earnings and monies from the State of Florida for 2nd injury worker's compensation claims.

REVENUE

1. Charges for Services
 - The increase of \$512,971 is mostly due to an increase of \$1,322,861 in billings for general liability insurance and due to a decrease of \$814,890 in billings for workers compensation based on changes in the actuarial report.
2. Transfer In to Pay Debt Service:
 - This transfer in from the General Fund/General Services District (S/F 011) is associated with a receivable within this subfund for money loaned out by the City for the Adam's Mark Hotel. This funding is placed in a cash carryover as detailed below. The last payment will be received in FY 2018/19.
3. Transfers from Fund Balance
 - Fund balance is being appropriated for the following:
 - \$1,000,000 to pay costs related to a structured settlement.
 - \$50,000 for furniture and equipment to be provided to departments after ergonomic assessment is completed which would be recovered in the following fiscal year.

EXPENDITURES

1. Salaries
 - The increase of \$21,991 is due to an increase of \$38,349 in part-time salaries for clerical support which is somewhat offset by a decrease of \$14,593 in permanent and probationary salaries due to filling vacancies at the lower rate, reclassification of some positions, and other salary adjustments.
2. Pension Costs
 - The decrease of \$20,090 in pension costs is due to a decrease of \$25,363 for the defined benefit plan costs and an increase of \$5,273 for the defined contribution plan costs as new employees elect defined contribution option over defined benefit option.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2016/17 BUDGET
RISK MANAGEMENT DIVISION
SELF-INSURANCE (S/F 561)**

PROPOSED BUDGET BOOK - Page # 183-185

3. Internal Service Charges

- The decrease of \$52,799 is due to a decrease of \$47,292 in the computer maintenance and security allocation since there was a change in billing methodology that resulted in the elimination of pooled overhead costs. These costs are now being directly billed to the applicable customers.

4. Insurance Costs and Premiums

- The increase of \$1,720,739 is mostly due to the following:
 - an increase of \$1,249,282 in the costs of the general liability insurance program as projected by the actuary based on a 55% confidence level.
 - an addition of a special payment of \$1,000,000 related to a structured settlement.
 - a decrease of \$656,968 in the costs of the workers compensation program as projected by actuary.

5. Professional and Contractual Services

- The decrease of \$86,649 in professional services is based on actual usage.

6. Other Operating Expenses

- The increase of \$22,901 is mostly due an addition of \$50,000 for furniture and equipment as described above and a decrease in the State Fee Assessment of \$20,000 based on actual expenditures.

7. Supervision Allocation

- This line represents the cost of the administrative staff housed in the Insured Programs (S/F 581) that is allocated to this fund. The decrease of \$61,261 is due to an increase in number of employees in S/F 581 (less costs are billed out).

8. Cash Carryover

- This is the FY 2016/17 debt service payment from the General Fund – GSD for Adam's Mark.

EMPLOYEE CAP CHANGES:

One position was added bringing cap from 21 to 22. The position is unfunded for FY 2016/17. Part-time hours were increased to from 2,080 to 2,600 to accommodate need for clerical support.

RECOMMENDATION:

There was an error in the allocation of the administrative costs resulting in the City being overcharged and independent agencies being undercharged. We recommend correcting this allocation. The independent agencies were provided correct billing amounts, so there is no impact on their budgets. There will be a positive impact on the Special Council Contingency of \$243,367.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2016/17 BUDGET
RISK MANAGEMENT DIVISION
INSURED PROGRAMS (S/F 581)**

PROPOSED BUDGET BOOK - Page # 187-189

BACKGROUND

This internal service fund administers a Miscellaneous Insurance Program for the City and Jacksonville Port Authority. Along with other policies, the City maintains property coverage, aviation insurance, a blanket crime policy and a policy covering the River Walk.

REVENUE

1. Charges for Services
 - The revenue from billings to using agencies for premiums paid remains flat.
2. Investment Pool / Interest Earnings
 - The decrease of \$10,743 to align with the actual current revenues.
3. Transfers from Fund Balance
 - The increase of \$485,000 is due to \$500,000 being appropriated and set aside to pay the City's deductible for any FY 2016/17 incidents. It will be billed back to the using agencies in FY 2017/18, if incurred.

EXPENDITURES

1. Salaries
 - Salaries remained flat despite an addition of a position costing \$55,000 mostly due to a retirement of a manager and corresponding personnel changes where positions were filled at a lower rate. Also, there was a decrease of \$13,184 in part-time salaries.
2. Pension Costs
 - The increase of \$6,514 is due to changes in personnel as described above that caused an increase in defined contribution plan costs of \$8,837 which was somewhat offset by a decrease in defined benefits costs of \$2,606. This is the result of pension elections changes by employees.
3. Employer Provided Benefits
 - The net increase of \$11,990 is primarily due to a \$15,275 increase in group hospitalization insurance due to elections made by employees.
4. Internal Service Charges
 - The net decrease of \$70,197 is mainly due to a decrease of \$67,003 in computer maintenance and security allocation. It was caused by a change in ITD's billing methodology that will result in the elimination of pooled overhead costs. These costs are now being directly billed to the applicable customers.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2016/17 BUDGET
RISK MANAGEMENT DIVISION
INSURED PROGRAMS (S/F 581)**

PROPOSED BUDGET BOOK - Page # 187-189

5. Insurance Costs and Premiums

- The net increase of \$583,516 is mainly due to an increase of \$500,000 to pay the City's deductible for any FY 2016/17 incidents as discussed above in Transfers from Fund Balance and an increase of \$78,900 in excess general liability to align with the current year's actual expenditures.

6. Professional and Contractual Services

- The decrease of \$88,401 is due to a decrease in professional services to align with the actual expenditures.

5. Supervision Allocation

- This amount represents the cost of the administrative staff housed in the Insured Programs (S/F 581) which is allocated to the Self Insurance (S/F 561). The increase of \$61,261 is due to an increase in number of employees in S/F 581 (less costs are billed out).

EMPLOYEE CAP CHANGES:

One position was moved into this fund from the General Employees' Pension fund (S/F 611) during FY 2015/16.

RECOMMENDATION:

None.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2016/17 BUDGET
GENERAL EMPLOYEES PENSION FUND (S/F 611)**

PROPOSED BUDGET BOOK – Page # 191 - 193

BACKGROUND:

The General Employees' Pension Fund 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 2016/17, the employers' pension contribution rate for general employees is 37.09% with 0.3% being distributed to the Disability Plan (S/F 614). Beginning in FY 2016/17, the City contribution rate is being split into the regular contribution (7.73%) and the portion for the unfunded liability (29.06%). Overall, the employer's contribution rate is going from 33.50% to 37.09%. 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 amount of \$12,747,478 primarily represents the amount of revenue needed to fund the budgeted expenditures.

EXPENDITURES:

1. Salaries:

- The net decrease of \$22,695 is due to a reduction in salaries of \$24,087 for the transfer of a position from Subfund 611 to Subfund 581 as authorized by Ordinance 2016-206-E.

2. Pension Costs:

- The net increase of \$12,243 is primarily due to the increase in the contribution percentage.

3. Internal Service Charges:

- The decrease of \$39,015 is mostly due to decreases of \$18,456 in OGC legal charges and \$7,680 in mailroom charges both based on actual usage, and \$5,748 in computer sys maint/security charges based on ITD's direct billing methodology.

4. Insurance Costs and Premiums:

- The increase of \$32,378 is primarily due to the addition of Miscellaneous Insurance of \$32,190 for Fiduciary Liability coverage included in this subfund's costs.

5. Professional and Contractual Services:

- The net decrease of \$1,419,770 is primarily due to a decrease of \$1,699,904 in money managers' fees, which is due in part to consolidating managers from 10 to 6 and the sharing of several managers with the Police and Fire Pension Fund. This was partially

**COUNCIL AUDITOR'S OFFICE
 COMMENTS AND RECOMMENDATIONS
 MAYOR'S PROPOSED FY 2016/17 BUDGET
 GENERAL EMPLOYEES PENSION FUND (S/F 611)**

PROPOSED BUDGET BOOK – Page # 191 - 193

offset by increases in Actuarial Fees of \$19,307 and an increase of \$264,625 for the addition of a portfolio consultant. Below is a breakdown of the professional service contracts.

Description	Amount
MONEY MANAGERS	11,380,532
OUTSIDE LEGAL COUNSEL	18,250
CUSTODIAL FEES	173,375
ACTUARY FEES	84,407
PORTFOLIO CONSULTANT	264,625
INVESTMENT MGR PERFORMANCE TRACKING	6,388
	<u>11,927,577</u>

6. Supervision Allocation:

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

SERVICE LEVEL CHANGES:

None

EMPLOYEE CAP CHANGES:

One position was moved to Insured Programs (S/F 581) during FY 2015/16 in accordance with Ordinance 2016-206-E.

SCHEDULE OF INVESTMENTS AT MARKET: *Per City Treasurer*

	June 30, 2015	June 30, 2016	Dollar Change	Percent Change
Bonds and Notes	\$ 393,815,276	\$ 347,332,641	\$ (46,482,635)	-11.8%
Common/Preferred Stock	\$ 1,338,060,795	\$ 1,167,644,218	\$ (170,416,577)	-12.7%
Cash Equivalents	\$ 32,318,980	\$ 66,050,928	\$ 33,731,948	104.4%
Real Estate	\$ 270,799,604	\$ 372,952,646	\$ 102,153,042	37.7%
Alternative Investments	\$ 49,505,114	\$ 50,048,494	\$ 543,380	1.1%
Total	<u>\$ 2,084,499,769</u>	<u>\$ 2,004,028,927</u>	<u>\$ (80,470,842)</u>	<u>-3.9%</u>

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 2016/17 BUDGET
 GENERAL EMPLOYEES PENSION FUND (S/F 611)**

PROPOSED BUDGET BOOK – Page # 191 - 193

GENERAL EMPLOYEES RETIREMENT PLAN FUNDING PROGRESS:

Unfunded Actuarial Accrued Liability (UAAL) at October 1, 2015 (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)
2,711,408,803	1,811,172,111	900,236,692	66.80%

CONCERN:

Consistent with past practice, Section 9.4 of the Budget Ordinance uses the percentage method as the mechanism for the City's pension contribution to the General Employees' Pension Fund. In order to be consistent with the other plans, the Administration could make the contribution at the greater of the dollar or percentage method, or simply contribute the amount budgeted for each pension line item at a minimum even if actual salaries come in at lower amounts. This would assist in reducing the unfunded liability of the plan.

RECOMMENDATION:

None

**COUNCIL AUDITOR'S OFFICE
 COMMENTS AND RECOMMENDATIONS
 MAYOR'S PROPOSED FY 2016/17 BUDGET
 CORRECTIONAL OFFICERS' PENSION FUND (S/F 613)**

PROPOSED BUDGET BOOK – Page # 195 - 196

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 2016/17 is 67.73% and the employee contribution is 8%. The employer contribution decreased from 68.64% in FY 2015/16. 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 to fund the budgeted expenditures.

EXPENDITURES:

1. Other Operating Expenses:
 - The increase of \$139,109 is due to a change in allocation of plan costs. The costs are prorated based on the asset values of the investments between this plan and the General Employees' Pension Fund (S/F 611). Here is a breakdown of the Professional Services included in the Correctional Officers' Pension Fund budget.

Description	Amount
MONEY MANAGERS	1,091,284
OUTSIDE LEGAL COUNSEL	1,750
CUSTODIAL FEES	16,625
PORTFOLIO CONSULTANT	25,375
ACTUARY FEES	8,094
INVESTMENT MGR PERFORMANCE TRACKING	612
	<u>1,143,740</u>

2. Supervision Allocation:
 - This amount represents the administration cost of the activity which is charged to this fund by the General Employees' Pension Fund (S/F 611).

EMPLOYEE CAP CHANGES:

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

**COUNCIL AUDITOR'S OFFICE
 COMMENTS AND RECOMMENDATIONS
 MAYOR'S PROPOSED FY 2016/17 BUDGET
 CORRECTIONAL OFFICERS' PENSION FUND (S/F 613)**

PROPOSED BUDGET BOOK – Page # 195 - 196

CORRECTIONAL OFFICERS' PENSION FUND FUNDING PROGRESS:

Unfunded Actuarial Accrued Liability (UAAL) at October 1, 2015 (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)
319,655,728	159,914,247	159,741,481	50.03%

RECOMMENDATIONS:

None

**COUNCIL AUDITOR'S OFFICE
 COMMENTS AND RECOMMENDATIONS
 MAYOR'S PROPOSED FY 2016/17 BUDGET
 DISABILITY PENSION TRUST (S/F 614)**

PROPOSED BUDGET BOOK – Page #197 - 198

BACKGROUND:

The Disability Pension Fund 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 2016/17, the employers' pension contribution rate for general employees is 37.09% with 36.79% being distributed to the General Employees' Pension Fund (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 Fund (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 needed to fund the budgeted expenditures.

EXPENDITURES:

1. Other Operating Expenses:

- The expenditure represents pension disability physical examination fees for Fiscal Year 2015/16.

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, 2015 (Per Disability Program Actuarial Valuation Report)

Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	UAAL	Funded Ratio
(a)	(b)	(a-b)	(b/a)
17,962,006	9,594,000	8,368,006	53.41%

RECOMMENDATION:

None

**COUNCIL AUDITOR'S OFFICE
 COMMENTS AND RECOMMENDATIONS
 2016/17 PROPOSED BUDGET
 POLICE & FIRE PENSION ADMINISTRATION (S/F 621)**

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, Section 121.101 (d) of the Ordinance Code and the 2015 Retirement Reform Agreement dated June 19, 2015, 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 (\$11,190,627), Building Operations (\$172,220) and Parking Garage Operations (\$23,900) for a total budget of \$11,386,747, which is a decrease of \$583,118 from the current budget of \$11,969,865.

ADMINISTRATIVE EXPENDITURES:

Administrative Expenditures	FY 2015/16	FY 2016/17	Change from FY 2015/16	
	Approved	Proposed	Dollar	Percent
Personnel Services	1,370,707	1,213,903	(156,804)	-11.44% (A)
Operating Expenses	10,316,758	9,976,724	(340,034)	-3.30% (B)
Capital Outlay	2,500	-	(2,500)	N/A
	<u>11,689,965</u>	<u>11,190,627</u>	<u>(499,338)</u>	<u>-4.27%</u>

(A) Personnel services overall are decreasing due to a decrease in the Executive Director salary of \$117,870, a decrease in terminal leave of \$110,707, a decrease in leave sellback of \$61,512, a decrease in FICA and Medicare of \$19,966, a decrease in the defined contribution of \$8,146 and a decrease in the PFPF 401a – employer of \$10,440. These decreases were offset primarily due to increases in salary adjustments for other personnel of \$7,989 and pension costs of \$169,857 due to including the Director and Deputy Director in the General Employees' Pension Plan and other election changes by staff.

(B) The change in Operating Expenses is primarily due to decreases for Professional Services (\$419,623). These decreases were partially offset by increases in internal service charges for computer system maintenance of \$45,538 and insurance & bonds non-payroll of \$27,300 for crime insurance coverage.

**COUNCIL AUDITOR'S OFFICE
 COMMENTS AND RECOMMENDATIONS
 2016/17 PROPOSED BUDGET
 POLICE & FIRE PENSION ADMINISTRATION (S/F 621)**

Professional Services Contracts Detail

Services	FY 2015/16 Approved	FY 2016/17 Proposed	Dollar Change	Percent Change	
Money Managers	\$ 8,924,623	\$ 8,500,000	\$ (424,623)	-4.76%	(C)
Legal	400,000	300,000	(100,000)	-25.00%	(D)
Investment Advisor	245,864	245,864	-	0.00%	
Actuary	145,000	140,000	(5,000)	-3.45%	
Consultants	-	100,000	100,000	N/A	(E)
Lobbyist	40,000	40,000	-	0.00%	
Investment Custodian	32,500	32,500	-	0.00%	
Auditor	29,465	29,465	-	0.00%	
Medical	15,000	25,000	10,000	66.67%	(F)
Appraiser for Buildings - Real Estate Investments	4,000	4,000	-	0.00%	
	<u>\$ 9,836,452</u>	<u>\$ 9,416,829</u>	<u>\$ (419,623)</u>	<u>-4.27%</u>	

- (C) Per Police and Fire Pension Fund, the decrease in money manager fees was due to a change in investment strategy to reduce fees by hiring two new managers that established a Comingled Fund which reduced fees normally charged when the funds are managed in separate accounts.
- (D) The decrease in Legal is due to reduced usage of outside legal primarily due to the passage of the pension reform bill.
- (E) The increase for consultants is due to the possibility of the pension sales tax passing and the potential need for additional CPA's and/or actuarial consultants to insure the Fund is valued correctly per GASB.
- (F) The increase is due to the hiring of additional JSO officers.

**COUNCIL AUDITOR'S OFFICE
 COMMENTS AND RECOMMENDATIONS
 2016/17 PROPOSED BUDGET
 POLICE & FIRE PENSION ADMINISTRATION (S/F 621)**

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 2015/16 Approved	FY 2016/17 Proposed	Dollar Change	Percentage Change
Revenues	\$ 567,908	\$ 620,145	\$ 52,237	9.20% (G)
Expenses - Operating	\$ 255,650	\$ 171,975	\$ (83,675)	-32.73% (H)
Surplus/(Deficit)	\$ 312,258	\$ 448,170	\$ 135,912	43.53%

(G) The increase is due to the rent increasing for two tenants per their lease agreements.

(H) The decrease is due to PFPF completing the second and final phase of the sky light replacement on their building.

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 2015/16 Approved	FY 2016/17 Proposed	Dollar Change	Percentage Change
Revenues	\$ 114,816	\$ 122,000	\$ 7,184	6.26% (I)
Expenses - Operating	\$ 24,250	\$ 23,900	\$ (350)	-1.44%
Surplus/(Deficit)	\$ 90,566	\$ 98,100	\$ 7,534	8.32%

(I) The increase is primarily due to increased number of individuals, primarily City employees now utilizing the Monroe Street Parking Garage due to the Ed Ball garage and the Library garage being full.

MARKET VALUE OF INVESTMENTS: Per Summit Strategies Flash Reports

The Market value of the assets changed from \$1,654,824,070 as of June 30, 2015 to \$1,637,026,562 as of June 30, 2016, which is a decrease of \$17,797,508.

EMPLOYEE CAP CHANGES:

None

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
2016/17 PROPOSED BUDGET
POLICE & FIRE PENSION ADMINISTRATION (S/F 621)**

Position Description 2014/2015	2015/16 Approved	Position Description 2015/16	2016/17 Proposed	Dollar Change	% Change
Executive Director/Administrator	\$ 317,870	Executive Director/Administrator	\$ 200,000	\$ (117,870)	-37%
Deputy Director-Assistant Administrator	130,500	Deputy Director-Assistant Administrator	130,000	(500)	0%
Controller	104,896	Controller	105,000	104	0%
Pension Benefits Manager	96,231	Pension Benefits Manager	99,918	3,687	4%
Executive Assistant	64,439	Executive Assistant	63,672	(767)	-1%
Building Services Manager	67,599	Building Services Manager	69,674	2,075	3%
Pension Benefits Specialist	57,538	Pension Benefits Specialist/Economic Research	59,520	1,982	3%
Pension Benefits Specialist	51,208	Pension Benefits Specialist	52,617	1,409	3%
Part-Time Economic Research Analyst	20,800	Part-Time Economic Research Analyst	20,000	(800)	-4%
	<u>\$ 911,081</u>		<u>\$ 800,401</u>	<u>\$ (110,680)</u>	-12% (J)

(J) The net decrease of \$110,680 is due to the new Executive Director position being budgeted at a decrease of \$117,870 and offset by increases of \$7,989 in staff salaries. (See Recommendation #1 regarding the salary amount for the Executive Director)

POLICE AND FIRE PENSION PLAN FUNDING POSITIONS:

Unfunded Actuarial Accrued Liability (UAAL) at October 1, 2015 (Per PFPF Actuarial Valuation Report)

Actuarial Accrued Liability (AAL)	Actuarial Value of Assets*	UAAL	Funded Ratio
(a)	(b)	(a-b)	(b/a)
3,142,228,212	1,354,405,365	1,787,822,847	43.10%

*Does not include \$79,499,720 in reserve accounts or \$4,002,294 in the Senior Staff plan assets.

RECOMMENDATIONS:

None of the recommendations below have an impact on Special Council Contingency.

- 1) We recommend reducing Personnel Services by \$13,834 from \$1,213,903 to \$1,200,069 as seen on REVISED Schedule AC in order to reduce the Executive Director's salary by \$10,000 from \$200,000 to \$190,000 as stated in the Executive Director's contract which was signed after the budget was presented. This will also reduce the benefits associated with his salary. This will require that Trust Fund Revenues be decreased on REVISED Schedule AB by \$13,834 in order to balance the budget.
- 2) We recommend moving the salary line for the Executive Director from a Non-Oracle salary line to an Oracle salary line. This will have no impact on Schedules AB & AC.
- 3) We recommend increasing the Police and Fire Pension Fund budgeted expenses for Indirect Costs to \$3,342. We also recommend increasing Trust Fund Revenues by \$3,342 in order to balance revenues with expenditures. This will require that Schedules AB & AC of the Budget Ordinance be adjusted to reflect these changes.
- 4) We recommend adding the authorized cap of 8 employees to Schedule AC consistent with the prior year's approved handout. We also recommend adding the number of authorized temporary employee hours of 1,040 to Schedule AC in order to be consistent with other independent agencies.

POLICE AND FIRE PENSION FUND
BUDGET FISCAL YEAR 2016-2017

REVENUES

Trust Fund Revenues	\$	10,644,602
Building Rental Revenue	\$	620,145
Parking Revenues	\$	<u>122,000</u>
Total Revenue Appropriations	\$	<u>11,386,747</u>

Schedule AB

EXPENDITURES

<u>Administration</u>		
Personnel Services	\$	1,213,903
Operating Expenses	\$	<u>9,976,724</u>
	\$	11,190,627
 <u>Building Operations</u>		
Operating Expense	\$	172,220
 <u>Parking Operations</u>		
Operating Expense	\$	23,900
Total Expenditure Appropriations	\$	<u>11,386,747</u>

Schedule AC

**POLICE AND FIRE PENSION FUND
JACKSONVILLE, FLORIDA
BUDGET FISCAL YEAR 2016/2017**

REVISED SCHEDULE AB

ESTIMATED REVENUES

Trust Fund Revenues	\$ 10,634,110
HQ Building Operations	620,145
Parking Garage Operations	122,000
Total Estimated Revenues	<u><u>\$ 11,376,255</u></u>

REVISED SCHEDULE AC

APPROPRIATIONS

<u>Administration</u>	
Personnel Services	\$ 1,200,069
Operating Expenses	<u>9,980,066</u>
Total Administration	\$ 11,180,135
<u>Rental</u>	
HQ Building Operations	\$ 172,220
Parking Garage Operations	<u>23,900</u>
Total Rental	\$ 196,120
Total Appropriations	<u><u>\$ 11,376,255</u></u>

Authorized Full-Time Positions - 8
Temporary Employee Hours - 1,040