

**OFFICE OF THE CITY COUNCIL**

117 WEST DUVAL STREET, SUITE 425

4TH FLOOR, CITY HALL

JACKSONVILLE, FLORIDA 32202

904-630-1377

**FINANCE COMMITTEE BUDGET HEARING #5 MINUTES - amended**

 **August 23, 2017**

**9:00 a.m.**

**Location:** City Council Chamber, City Hall – St. James Building; 117 West Duval Street,

**In attendance:** Council Members Garrett Dennis (Chair), Danny Becton, Lori Boyer, Katrina Brown (arr. 10:15), Reggie Brown (arr. 9:57), Reggie Gaffney, Matt Schellenberg

**Also**: Council Members Bill Gulliford, Joyce Morgan (arr. 1:30 p.m.); Paige Johnston – Office of General Counsel; Kyle Billy, Brian Parks, Phillip Peterson - Council Auditor’s Office; Crystal Shemwell and Katrin McDonald – Legislative Services Division; Sam Mousa, Ali Korman Shelton and Jordan Elsbury – Mayor’s Office; Mike Weinstein, Angela Moyer, Joey Greive, Teresa Eichner – Finance and Administration Department; Jeff Clements – Council Research Division

**Meeting Convened**: 9:04 a.m.

Chairman Dennis convened the meeting and the attendees introduced themselves for the record.

Debt Affordability Study

Joey Greive, City Treasurer, gave a presentation on the baseline model (May 31st) and the latest updated model (July 24th) of the debt affordability study that includes the borrowing proposed by the Mayor for his proposed CIP program. He stated that all of the City’s self-imposed debt ratios are moving in positive directions due to strong operating performance over the last 2 years and sound budgeting practices. Mr. Greive explained the City’s process of beginning capital projects when ready with available cash and borrowing in arrears to reimburse those costs. He said that Jacksonville has approximately $1.1 billion in general debt and $1.1 billion in Better Jacksonville Plan debt (which has its own dedicated funding sources). Approximately 95% of the City’s debt is in fixed rate instruments and 5% in variable debt. The City went to market yesterday with a $145 million bond issue that attracted substantial interest from the investment community (demand more than twice the level of supply). The City’s underlying bond rating is AA and the rating for this issue (using the special revenue pledge) is AA-.

Council Member Boyer noted that the City Council previously had waived its standard debt ratios from time to time in years past, but the improving economy and the gradual pay-down of debt has eliminated the need to waive those ratios in recent years. The City’s debt structure is in very good shape and well within the adopted ratio ranges. Finance Director Mike Weinstein noted that the City will be well within its approved ranges both before and after the adoption of this year’s proposed CIP package. In response to a question from Council Member Becton, Mr. Greive explained that the debt ratio calculations do not include unfunded liability such as future pension liability. Mr. Weinstein reiterated that the three major bond rating agencies all rated this week’s bond at AA- with a stable outlook, indicating no substantial negative issues in the near future. He and Mr. Greive discussed an article published this week by an analyst for Bloomberg that pointed out continuing pension liability issues. Ms. Boyer stated that the real limitation on the City’s finances from the pension liability is cash flow – paying down that liability takes cash that cannot then be used to pay debt service on borrowing, regardless of whether the City otherwise has capacity to borrow using other measures.

In response to a question about the $122 million CIP proposal for FY17-18, Mr. Mousa noted that the authorization of the project list is not an immediate authorization to borrow for those projects; that borrowing will be authorized at a later date as the projects progress. He said that the $122 million amount was chosen as a reasonable amount to deal with long-delayed capital needs, given the available resources produced by the City’s improving revenues and pension reform. Mr. Weinstein described the process of compiling all of the departmental capital requests, prioritizing those requests, determining how much debt is being paid off, and then arriving at a reasonable, affordable CIP list that addresses the City’s needs in a responsible manner. Ms. Boyer reminded the committee that the Council adopted a new debt issuance policy two years ago that requires level payouts (no interest-only payments for a time with a balloon payment later) and other policies that have improved the City’s debt picture.

**Page references from this point refer to Auditor’s Budget Hearing #5 handout.**

Principal Auditor Phillip Peterson reviewed the proposed Capital Improvement Plan at a high level, describing the funding sources for various categories of projects. In response to a question from Chairman Dennis, Public Works Director John Pappas stated that the Drainage System Rehabilitation (DSR) budget is for repairs and restoration of existing drainage facilities; major expansions and new projects have their own separate CIP listings. Daryl Joseph, Director of the Parks, Recreation and Community Services Department answered questions about ballfield maintenance versus field rebuilds and which accounts are used for which types of projects. Council Member Boyer asked about the use of Local Option Gas Tax for pedestrian and bicycle improvements to ensure that the minimum 20% threshold is being met, particularly with regard to the allocation to the Sidewalk and Curb Repair account. She wants to clarify that any curb work must be directly related to sidewalk work, not curb-only projects.

Interim Library Director Jennifer Giltrop described the library’s planning for replacement of the Dallas Graham branch in a new mixed-use development on the first floor of a senior center. Council Member K. Brown described the differing opinions and discussion taking place in the community about that library’s future. Chairman Dennis suggested that the City explore opportunities for public/private partnerships for library locations. Ms. Giltrop said that she had previously worked in cities that had public libraries in shopping centers and schools.

**Motion**: on p. 3, approve the administration’s request #1 to delay the Library’s $330,560 Dallas Graham Library Replacement project by one year to FY18-19 and amend the 5-year schedule to include $1,273,040 in FY19-20; remove Section 11.8 of the budget ordinance as unnecessary – **approved**.

**Motion**: on p. 3, approve the administration’s request #2 to add $300,000 to debt to fund the Southside incinerator project and fund the $200,000 Jax Ash Site project with Subfund 322 General Capital Projects cash carryover – **approved**.

**Motion**: on p. 4, approve the administration’s request #3 to fund the $1 million shortfall in the Countywide Intersection Improvement and Bridge Rehab – Intersections account with new debt; fund the $101,378 shortfall in the Countywide Intersection Improvement and Bridge Rehab – Bridges account with Subfund 322 General Capital Projects cash carryover – **approved**.

**Motion**: on p. 4, approve the administration’s request #4 to use cash carryover balance in Subfund 322 to fund shortfalls in 6 listed projects – **approved**.

**Motion**: on p. 4, approve Council Auditor’s recommendation #5 to correct project numbers and index codes for stormwater projects to differentiate between drainage system maintenance and capital improvements – **approved**.

**Motion**: on p. 5, approve Council Auditor’s recommendation #6a to waive the provision of Ordinance Code Section 754.112 regarding minimum required funding for Drainage System Rehab, and approve the administration’s request #6b that $437,603 be funded from cash carryover in Subfund 322 and allocated to the LaSalle Street Outfall to meet the minimum funding requirement from an alternative source – **approved**.

**Motion**: on p. 5, approve Council Auditor’s recommendation #7 to budget a transfer of $229,000 from Subfund 64F (pari-mutuel trust) to the capital project subfund for the Touchton Road Park project – **approved**.

**Motion**: on p. 5, approve Council Auditor’s recommendation #8 to correct the amount for the ADA Compliance – Curb Ramp and Sidewalks project from $950,330 to $900,000 and remove the appropriation from the one-year schedule – **approved**.

**Motion**: on p. 5, approve Council Auditor’s recommendation #9 to remove the budgeted revenue and expenditure for the grant-funded portion of the Pedestrian and Bicycle Safety Improvement project ($1 million) and the J.P. Small Park Museum Improvements project ($550,000) from the CIP budget and remove from the one-year schedule, and correct the J.P. Small Park Museum project amount to $500,000 – **approved**.

**Motion**: on p. 5, approve the administration’s request #10 to fund move up funding from FY18-19 to FY17-18 for the Jax-Baldwin Rail Trail Buffer ($378,000) and Beach and Peach Urban Park ($436,000) projects – **approved**.

**Motion**: on p. 6, approve Council Auditor’s recommendation #11 to remove the Ferry Fender System project (not a City asset) from the CIP – **approved**.

**Motion**: on p. 6, approve Council Auditor’s recommendation #12 to correct the expenditure subobject for the Southside Senior Center project to Engineering/Design – **approved**.

**Motion**: on p. 6, approve Council Auditor’s recommendation #13 to correct the budgeted revenue subobjects for the Mayport Docks project to reverse interest and pay-go amounts – **approved**.

**Motion**: on p. 6, approve Council Auditor’s recommendation #14 to correct the budgeted revenue subobject for Mandarin Road Sidewalk from Southeast Planning Sector 2 Reserves to interest – **approved**.

**Motion**: on p. 6, approve Council Auditor’s recommendation #15 to correct the one-year schedule to reflect the budgeted revenue for Clyde Drive Sidewalk in Interest – **approved**.

**Motion**: on p. 6, approve Council Auditor’s recommendation #16 to correct the one-year schedule to reflect the budgeted revenue for the Chaffee Road project in the Interest column – **approved**.

**Motion**: on p. 6, approve the administration’s request #17 to make changes to the CIP project information sheets of 9 listed projects – **approved**.

**Motion**: on p. 6, approve the administration’s request #18 to add Hanna Park – Splash Park to FY18-19 of the 5-year plan in the amount of $500,000 – **approved**.

Council Member Schellenberg thanked the Parks and Recreation Department for the recent completion of the splash park at Losco Park – it has been a tremendous success since its opening and he recommended that other districts consider adding them to their own districts.

**Motion**: on p. 7, approve the administration’s request #19 to remove the Inventory of Trees in City ROWs and Parks project from the CIP – **approved**.

**Motion**: on p. 7, approve the administration’s request #20 to remove $500,000 of funding from the Southbank Riverwalk Extension and Enhancements project and transfer it to a new project entitled Civic/Cultural Riverwalk Node – Northbank – **approved**.

**Motion**: on p. 7, approve Auditor’s recommendation #21 to authorize the Auditor’s Office and Office of General Counsel to adjust project names, numbers and prior years funding amounts for schedule presentation purposes as necessary for continuity – **approved**.

Mr. Peterson reported that his office had received an opinion from the General Counsel’s Office stating that the proposed $4 million allocation to Edward Waters College for student housing is a permissible expenditure, but is not a City CIP project (not City-owned or –leased). It either needs to be removed from the CIP or the CIP ordinance needs to be amended to include a waiver to list the non-City project in the CIP. Council Member Becton opposed the appropriation to Edward Waters College because it is a private entity that that should not be subsidized by the City; he would prefer that the funding proposed for the EWC projects be used for community improvements such as water and sewer projects that would help to fulfill the unkept promises from the time of consolidation.

**Motion** (Becton): reallocate the $8.4 million proposed for two Edward Waters College projects to water line improvement projects – **dies for lack of a second**.

Mr. Mousa described the mayor’s interest in pursuing the projects at EWC for public safety and community improvement purposes and reiterated the administration’s commitment to assisting the college and its students. Chairman Dennis suggested that allocating funds for a college police force with sworn law enforcement officers would be a valuable investment in providing for safety both on the campus and in the surrounding neighborhood.

**Motion**: approve the administration’s request to remove the ~~two~~ Edward Waters College Student Housing project~~s~~ from the CIP as ~~they are~~ it is not a City-owned or –leased facility~~ies~~ – **approved**.

**Motion**: approve the administration’s request to authorize the Mayor to execute grant agreements and/or contracts with Edward Waters College, should these capital funds be approved, to facilitate the projects –

Council Member Boyer suggested that a vote on this authorization be deferred until the budget wrap-up session pending further details on the parameters of the two projects, scopes of work, details of public access, etc. Ms. Boyer **withdrew her second** and the issue was deferred to the wrap-up meeting.

Debt Management Fund

**Motion**: on p. 25, approve Auditor’s recommendation #1 to increase long-term debt issued by $23,142,944 to align the budget with Schedule B4 – **approved**

**Motion**: on p. 25, approve Auditor’s recommendation #2 to reduce Debt Management Interest Payments in the General Fund/GSD Debt Management Fund by $538,000 based on timing of borrowing – **approved**.

**Motion**: on p. 25, approve Auditor’s recommendation #3 to revise Schedule B4 to split Subfunds 536 and 53A – **approved**.

Reserve Accounts

Council Member Boyer referred the committee back to the discussion at an earlier meeting about the Mayor’s proposal to increase the ranges and appropriations for the City’s General and Emergency Reserve funds. She suggested reducing the Mayor’s proposed transfer from the Operating Reserve to the Emergency Reserve by $5 million and distributed a list of projects that are already in the CIP in the amount of $4,555,000 that would be good uses of those funds.

**Motion** (Boyer): reduce the Mayor’s proposed transfer from Operating Reserve to the Emergency Reserve by $5 million, allocate $4,555,000 to the list of 22 capital projects on the list she distributed, allocate the remaining $445,000 to Drainage System Rehab, and amend the CIP to reflect pay-as-you-go funding for those projects in FY17-18 –

Chairman Dennis suggested that consideration of the list be deferred until after the lunch break in order to give committee members the opportunity to review the list and consider the projects. Mr. Mousa said that the projects are already in the CIP and therefore already vetted and prioritized, and the Public Works and Parks, Recreation and Community Services department directors will be ready to discuss the details of each project. Ms. Boyer provided details on the two projects in her district and explained that these are supplementary funds to add to existing amounts that have been insufficient to get the projects moving.

**The committee was in recess from 11:58 a.m. to 1:30 p.m.**

Chairman Dennis asked Mr. Mousa to review the projects on the Boyer list and provide insight about the needs. He, Mr. Pappas and Mr. Joseph described the scope of the projects and the existing funding that this amendment proposes to supplement. Mr. Mousa also distributed and discussed a handout entitled Proposed Roadway Resurfacing for FY17-18 and the Backlog Roadway Resurfacing List for FY17-18. Council Member Gulliford called the committee’s attention to the fact that no roads in District 13 appear on the resurfacing list for FY17-18 and that Penman Road, a county road running through the three Beaches, cities is a county road for which the City of Jacksonville is responsible, and will need attention in the next few years. In response to a question, Mr. Pappas explained the City’s road condition grading system and the costs of the various types of road resurfacing and rejuvenation.

**Motion** (R. Brown): amend the Boyer motion to allocate the $445,000 Ms. Boyer had proposed to allocate to Drainage System Rehab to the Parks Capital Maintenance account -

After some discussion, Council Member Brown **withdrew his amendment**.

**Motion** (Boyer): amend the Boyer motion to allocate the $445,000 originally proposed for allocation to Drainage System Rehab to the Parks Capital Maintenance, earmarked for ballfield and playground improvements – **approved**.

The Boyer motion was **approved as amended**.

Mr. Mousa committed to bringing a prioritized list of projects for use of the additional $445,000 to the Council’s Special Committee on Parks for consideration.

**Motion** (Boyer): amend the budget ordinance to remove the proposed revisions to the City’s reserve fund ranges, leaving the Ordinance Code as it currently stands with regard to reserve funds – **approved**.

The IT System Development Schedule was distributed but discussion was deferred to the Friday wrap-up meeting. Ms. Boyer explained that she has been meeting with several departments about potential improvements to departmental web sites and needs another day to finalize the project list.

**Page references from this point refer to Auditor’s Budget Hearing #7 handout.**

General Employees Pension

**Motion**: on p. 3, approve Auditor’s recommendation to increase the Supervision Allocation to the Correctional Officers Pension Fund by $51, 945 and offset by decreasing Miscellaneous Revenue in a like amount – **approved**.

Police and Fire Pension Fund

In response to a question from Council Member Schellenberg, Tim Johnson, Executive Director of the Police and Fire Pension Fund, described the lease of parking spaces in the PFPF’s parking garage. Mr. Johnson will send the committee information on money manager charges over the past several years.

**Motion**: on p. 10, approve Auditor’s recommendation #1 to reduce Personnel Services by $122,874 and decrease Trust Fund Revenues on Revised Schedule AB by like amount – **approved**.

**Motion**: on p. 10, approve Auditor’s recommendation #2 to increase Indirect Costs by $65,400 and increase Trust Fund Revenues by like amount, amending Schedules AB and AC to reflect these changes – **approved**.

**Motion**: on p. 10, approve Auditor’s recommendation #3 to add the authorized cap of 8 employees and 0 part-time hours to Schedule AC – **approved**.

Finance and Administration Department

Risk Management Division

In response to a question from Council Member Schellenberg, Twane Duckworth, Chief of Risk Management, discussed the effects of a Florida Supreme Court ruling allowing increased legal fees to attorneys handling workers’ compensation cases in the state. He does not believe that Jacksonville will be greatly affected because it had settled most of its pending cases before the ruling was issued. In response to a question from Council Member R. Brown, Mr. Duckworth said that the City cannot mandate that money its pays out in settlements for damages be used for particular purposes (i.e. mandating that funds for a damaged fence being spent to replace the fence). In response to a question from Council Member Boyer about TULIP (tenants’ and users’ liability insurance policy) insurance coverage, Mr. Duckworth confirmed that the City is procuring that insurance and making it available to non-profits utilizing City facilities.

General Fund/GSD

**Motion**: on p. 21, approve Auditor’s recommendation to remove $36,300 in leave rollback/sellback for a Finance and Administration Department employee and allocate the funds to Special Council Reserve – **approved**.

In response to a question from Council Member Boyer, Mr. Weinstein reported that the City is proceeding with selecting a vendor for a new ERP (Enterprise Resource Planning) system and will be negotiating a contract in the coming year. It will likely be 2 to 3 years before a new ERP is fully functional and the existing systems phased out. A short-term increase in employees to manage the transition is expected, which will roll back after the new system is fully implemented.

Driver Education Safety Trust

**Motion**: on p. 22, approve the administration’s request to remove the fund balance appropriation of $11,821 in the all-years fund and correct all-years revenue balances in a number of subobjects – **approved**.

Council Member R. Brown asked if this is a mandatory fund that must be conveyed to the Duval County School Board. He is distressed by the fact that the School Board recently withdrew its funding for after school programs while the City is increasing its funding for those programs, and wondered if the City could withhold this funding as leverage to get the School Board to engage in discussion about shared funding of needed programs. Council Member Boyer wondered why the School Board has been reducing its millage rate for the past several years while at the same time lamenting its financial difficulties. The Chairman will invite a representative of the School Board to attend the wrap-up session to discuss shared funding responsibility for community needs.

Motor Vehicle Inspection

**Motion**: on p. 24, approve Auditor’s recommendation to eliminate a transfer of $160,000 from the General Fund/GSD and offsetting with a transfer from fund balance within Subfund 431 – **approved**.

Outstanding items

* Authorization for administration to enter into contracts/agreements with Edward Waters College to facilitate the two CIP projects on campus.
* Request a representative from the school system to address the committee at the wrap-up meeting on shared funding responsibility for community needs.

Special Council Contingency

Council Member Becton reported that the Special Council Contingency fund stands at $2,632,855.

**Meeting adjourned:** 3:34 p.m.

Minutes: Jeff Clements, Council Research

9.1.17 Posted 12:00 p.m.

Tapes: Finance Budget Hearing #5 – LSD

 8.23.17

Materials: Council Auditor’s Budget Meeting #5 handout – LSD

 Council Auditor’s Budget Meeting #7 handout – LSD

 8.23.17