

# **OFFICE OF THE COUNCIL AUDITOR**

## **FY 2017/2018 PROPOSED BUDGET**

### **FINANCE COMMITTEE MEMBERS**

**Garrett Dennis – Chair**  
**Danny Becton – Vice Chair**  
**Lori Boyer**  
**Katrina Brown**  
**Reggie Brown**  
**Reggie Gaffney**  
**Matt Schellenberg**



**Meeting #7**  
**August 25, 2017**

**COUNCIL AUDITOR'S OFFICE  
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**COUNCIL AUDITOR'S OFFICE  
COMMENTS AND RECOMMENDATIONS  
MAYOR'S PROPOSED FY 2017/18 BUDGET  
GENERAL EMPLOYEES PENSION FUND (S/F 611)**

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**PROPOSED BUDGET BOOK – Page # 190 - 192**

**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 2017/18, the employers' pension contribution amount is \$70,166,221, with an additional .3% of payroll being contributed to the Disability Plan (S/F 614). Effective October 1, 2017 as a result of the pension reform plan, the employees' contribution rate is increasing from 8% to 10% with 0.3% being distributed to the Disability Plan (S/F 614). Also effective with the pension reform plan, this plan will be closed to all employees hired on or after October 1, 2017. All new employees who were eligible for this plan will be required to join the General Employees' Defined Contribution plan.

In addition to the City's general employees, this plan covers employees at some 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 \$13,763,609 represents the amount of revenue needed to fund the budgeted expenditures.

**EXPENDITURES:**

1. Salaries:

- The increase of \$20,625 is primarily due to the anticipated salary increases as a result of the 2017 pension reform related to collective bargaining.

2. Pension Costs:

- The net decrease of \$17,773 is mainly the result of the reduced contribution for the City's defined benefit pension plans as a result of the 2017 pension reform.

3. Insurance Costs and Premiums:

- The decrease of \$32,295 is primarily due to the decrease of Miscellaneous Insurance of \$32,190. This was for fiduciary liability coverage that Risk Management determined the coverage was not necessary due to the sovereign immunity of the City.

4. Professional and Contractual Services:

- The net increase of \$481,167 is primarily due to an increase of \$487,645 in money managers' fees, due to an increase in pension investment returns/assets over the last year. This increase was partially mitigated due to the Correctional Officers Pension Funds' pro-rata portion of assets increasing. Below is a breakdown of the professional service contracts.

**COUNCIL AUDITOR'S OFFICE  
 COMMENTS AND RECOMMENDATIONS  
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 GENERAL EMPLOYEES PENSION FUND (S/F 611)**

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<b>Services</b>	<b>FY 2016/17 Approved</b>	<b>FY 2017/18 Proposed</b>	<b>Dollar Change</b>	<b>Percent Change</b>
Money Managers	\$ 11,380,532	\$ 11,868,177	\$ 487,645	4.28%
Outside Legal	18,250	18,109	(141)	-0.77%
Custodial Fees	173,375	172,040	(1,335)	-0.77%
Portfolio Consultant	264,625	258,060	(6,565)	-2.48%
Actuary Fees	84,407	83,756	(651)	-0.77%
Investment Mgr Performance Tracking	6,388	8,602	2,214	34.66%
	<u>\$ 11,927,577</u>	<u>\$ 12,408,744</u>	<u>\$ 481,167</u>	4.03%

5. Supervision Allocation:

- This amount represents the administrative costs of the Pension Administration activity, which are allocated to the Correctional Officers' Pension Fund (S/F 613). This amount appears to be understated by \$51,945 based on the administrative expenses for the General Employees' Pension Fund. Please see our recommendation below.

6. Indirect Cost:

- This is an allocation of costs to operate central services of the City (e.g. Finance and Administration, Employee Services and City Council) as calculated by the City's independent consulting firm.

7. Contingency:

- The proposed contingency amount of \$31,228 is part of the overall pension reform reserves being set aside as funds to be available to offset future salary increases agreed to in the recently approved collective bargaining agreements.

**SERVICE LEVEL CHANGES:**

None.

**EMPLOYEE CAP CHANGES:**

None.

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 GENERAL EMPLOYEES PENSION FUND (S/F 611)**

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**SCHEDULE OF INVESTMENTS AT MARKET: *Per City Treasurer***

**MARKET VALUE OF INVESTMENTS :**

	June 30, 2016	June 30, 2017	Dollar Change	Percent Change
Bonds and Notes	\$ 347,332,641	\$ 411,197,331	\$ 63,864,690	18.4%
Common/Preferred Stock	\$ 1,167,644,218	\$ 1,385,325,384	\$ 217,681,166	18.6%
Cash Equivalents	\$ 66,050,928	\$ 34,618,843	\$ (31,432,085)	-47.6%
Real Estate	\$ 372,952,646	\$ 338,979,641	\$ (33,973,005)	-9.1%
Alternative Investments	\$ 50,048,494	\$ 49,652,880	\$ (395,614)	-0.8%
<b>Total</b>	<b>\$ 2,004,028,927</b>	<b>\$ 2,219,774,079</b>	<b>\$ 215,745,152</b>	<b>10.8%</b>

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

**GENERAL EMPLOYEES RETIREMENT PLAN FUNDING PROGRESS:**

Unfunded Actuarial Accrued Liability (UAAL) at October 1, 2016 (Per Memorandum from the General Employees Retirement Plan Actuary dated June 7, 2017)

Plan Participants	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	UAAL	Funded Ratio
	(a)	(b)	(a-b)	(b/a)
COJ	1,458,472,921	942,748,676	515,724,245	64.64%
JEA	1,399,368,179	904,543,705	494,824,474	64.64%
JHA	36,291,340	23,458,518	12,832,822	64.64%
NFTPO	3,154,732	2,039,201	1,115,531	64.64%
<b>Total Plan</b>	<b>2,897,287,172</b>	<b>1,872,790,100</b>	<b>1,024,497,072</b>	<b>64.64%</b>

**RECOMMENDATION:**

We recommend increasing the Supervision Allocation to the Correctional Officers' Pension Fund by \$51,945 to a total of \$129,776. This will be offset by decreasing the Miscellaneous Revenue amount by \$51,945 in order to balance revenues with expenditures. This will have no effect on Special Council Contingency.

**COUNCIL AUDITOR'S OFFICE  
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 CORRECTIONAL OFFICERS' PENSION FUND (S/F 613)**

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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 amount for FY 2017/18 is \$13,973,105 with an additional .3% of payroll being contributed to the Disability Plan (S/F 614). Effective October 1, 2017 as a result of the pension reform, the employees' contribution is increasing from 8% to 10% with .3% being distributed to the Disability Plan (S/F 614). Also effective with the pension reform plan, this plan will be closed to all employees hired on or after October 1, 2017. All new employees will be required to join the Corrections Employees' Defined Contribution plan.

**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 \$145,223 is primarily due to an overall increase in money managers' fees due to the increase in pension investments returns/assets over the last year. Also, the costs are prorated based on the asset values of the investments between this plan and the General Employees' Pension Fund (S/F 611) and Corrections percentage portion of the assets increased slightly. Here is a breakdown of the Professional Services included in the Correctional Officers' Pension Fund budget.

<b>Services</b>	<b>FY 2016/17 Approved</b>	<b>FY 2017/18 Proposed</b>	<b>Dollar Change</b>	<b>Percent Change</b>
Money Managers	\$ 1,091,284	\$ 1,232,531	\$ 141,247	12.94%
Outside Legal	1,750	1,891	141	8.06%
Custodial Fees	16,625	17,960	1,335	8.03%
Portfolio Consultant	25,375	26,940	1,565	6.17%
Actuary Fees	8,094	8,744	650	8.03%
Investment Mgr Performance Tracking	612	897	285	46.57%
	<u>\$ 1,143,740</u>	<u>\$ 1,288,963</u>	<u>\$ 145,223</u>	12.70%

**COUNCIL AUDITOR'S OFFICE  
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 CORRECTIONAL OFFICERS' PENSION FUND (S/F 613)**

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2. Supervision Allocation:

- This amount represents the administrative costs of the activity which are charged to this fund by the General Employees' Pension Fund (S/F 611). This amount appears to be understated by \$51,945 based on the Administrative expenses for the General Employees' Pension Fund. Please see our recommendation in our handout for the General Employees' Pension Fund.

**EMPLOYEE CAP CHANGES:**

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

**CORRECTIONAL OFFICERS' PENSION FUND FUNDING PROGRESS:**

Unfunded Actuarial Accrued Liability (UAAL) at October 1, 2016 (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)
354,234,673	175,333,405	178,901,268	49.50%

**RECOMMENDATION:**

None.

**COUNCIL AUDITOR'S OFFICE  
 COMMENTS AND RECOMMENDATIONS  
 MAYOR'S PROPOSED FY 2017/18 BUDGET  
 DISABILITY PENSION TRUST (S/F 614)**

**PROPOSED BUDGET BOOK – Page #195 - 196**

**BACKGROUND:**

The Disability Pension Fund is the disability plan for general employees who participate in the General Employees' Pension Plan (S/F 611) and effective October 1, 2017 with the new pension reform, all defined contribution participants (General Employee, Corrections, Police and Fire) will be included in this sub-fund. This fund records both employee and employer contributions, investment earnings, benefit payments and administrative expenses for the General Employees' Pension Fund. The contribution rate for all participants is 0.3%.

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 2017/18.

**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%

\* Please note a report was not conducted for October 1, 2017.

**RECOMMENDATION:**

None



**COUNCIL AUDITOR'S OFFICE  
 COMMENTS AND RECOMMENDATIONS  
 2017/18 PROPOSED BUDGET  
 POLICE & FIRE PENSION ADMINISTRATION (S/F 621)**

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**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 the Board is required to submit its budget to the City Council for approval.

As a result of the 2017 pension reform, this plan will be closed to new members as of September 30, 2017. All new police and fire recruits hired on or after October 1, 2017 will have to join the Police and Fire defined contribution plan.

The Police and Fire Pension Fund (PFPF) budget is divided into Administrative Expenditures (\$12,110,825), Building Operations (\$172,220) and Parking Garage Operations (\$23,900) for a total budget of \$12,306,945, which is an increase of \$930,690 from the current budget of \$11,376,255.

**ADMINISTRATIVE EXPENDITURES:**

Administrative Expenditures	FY 2016/17	FY 2017/18	Change from FY 2015/16	
	Approved	Proposed	Dollar	Percent
Personnel Services	1,200,069	1,093,981	(106,088)	-8.84% (A)
Operating Expenses	9,980,066	11,016,842	1,036,776	10.39% (B)
Capital Outlay	-	-	-	N/A
	<u>11,180,135</u>	<u>12,110,823</u>	<u>930,688</u>	<u>8.32%</u>

(A) Personnel services overall are decreasing due to the vacant Deputy Director position being eliminated (\$150,086), as well as the vacant part-time position being eliminated (\$20,000), and a decrease in the pension contribution of \$20,086 as a result of eliminating the Deputy Director position. These decreases were offset primarily due to the addition of the Public Records Specialist position with a salary of \$41,832 and increases in salary adjustments for other personnel of \$37,193 due to the pension reform as well as promotions and step increases.

(B) The change in Operating Expenses is primarily due to increases for Professional Services of \$873,233, OGC Legal allocation of \$130,000 based on usage, and copy center of \$32,000 based on usage.

**COUNCIL AUDITOR'S OFFICE  
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 POLICE & FIRE PENSION ADMINISTRATION (S/F 621)**

*Professional Services Contracts Detail*

Services	FY 2016/17 Approved	FY 2017/18 Proposed	Dollar Change	Percent Change	
Money Managers	\$ 8,500,000	\$ 9,537,698	\$ 1,037,698	12.21%	(C)
Investment Advisor	245,864	245,864	-	0.00%	
Outside Legal	300,000	160,000	(140,000)	-46.67%	(D)
Actuary	140,000	140,000	-	0.00%	
Consultants	100,000	50,000	(50,000)	-50.00%	(E)
Lobbyist	40,000	40,000	-	0.00%	
Records Digitization	-	35,000	35,000	N/A	(F)
Investment Custodian	32,500	32,500	-	0.00%	
Auditor	29,465	30,000	535	1.82%	
Medical	25,000	10,000	(15,000)	-60.00%	(G)
Elections Services	-	5,000	5,000	N/A	(H)
Appraiser for Buildings - Real Estate Investments	4,000	4,000	-	0.00%	
	<u>\$9,416,829</u>	<u>\$ 10,290,062</u>	<u>\$ 873,233</u>	9.27%	

- (C) Per Police and Fire Pension Fund, the increase is due to change on the value of assets in the Fund. The budgeted amount is an estimate based on the assumption of current market trends continuing.
- (D) The decrease in Legal is due to reduced usage of outside legal and an increased usage of the City's OGC.
- (E) The decrease in consulting fees is primarily due to the expired contract with the former Interim Executive Director.
- (F) The increase is due to the PFPF utilizing a third party vendor to digitize all member files and PFPF documents.
- (G) The decrease is due to no new members added to the Plan after September 30, 2017 per the 2017 pension reform.
- (H) The increase is due to the PFPF using the services of a third party vendor to conduct elections for the PFPF Board and Advisory Committee members.

**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.

**COUNCIL AUDITOR'S OFFICE  
 COMMENTS AND RECOMMENDATIONS  
 2017/18 PROPOSED BUDGET  
 POLICE & FIRE PENSION ADMINISTRATION (S/F 621)**

	<b>FY 2016/17 Approved</b>	<b>FY 2017/18 Proposed</b>	<b>Dollar Change</b>	<b>Percentage Change</b>
<b>Revenues</b>	\$ 620,145	\$ 614,518	\$ (5,627)	-0.91% (I)
<b>Expenses - Operating</b>	\$ 172,220	\$ 172,220	\$ -	0.00%
<b>Surplus/(Deficit)</b>	\$ 447,925	\$ 442,298	\$ (5,627)	-1.26%

(I) The decrease is due to a correction in the budgeted lease payments for one of the tenants. The lease stipulates the tenant pays rent for 11 out of 12 months of the year. Last year's budget projected the rent would be received for all 12 months.

**PARKING GARAGE OPERATIONS:**

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

	<b>FY 2016/17 Approved</b>	<b>FY 2017/18 Proposed</b>	<b>Dollar Change</b>	<b>Percentage Change</b>
<b>Revenues</b>	\$ 122,000	\$ 150,000	\$ 28,000	22.95% (J)
<b>Expenses - Operating</b>	\$ 23,900	\$ 23,900	\$ -	0.00%
<b>Surplus/(Deficit)</b>	\$ 98,100	\$ 126,100	\$ 28,000	28.54%

(J) The increase is due to thirty-six new parking spaces being leased.

**MARKET VALUE OF INVESTMENTS: Per Summit Strategies Flash Reports**

	<b>June 30, 2016</b>	<b>June 30, 2017</b>	<b>Dollar Change</b>	<b>Percent Change</b>
US Equity	\$ 636,040,652	\$ 831,003,769	\$ 194,963,117	30.7%
International Equity	347,470,257	388,023,166	40,552,909	11.7%
Fixed Income	368,229,746	391,862,382	23,632,636	6.4%
Real Estate	185,740,455	199,168,185	13,427,730	7.2%
MLP's/Energy	98,156,472	102,324,814	4,168,342	4.2%
Cash	1,388,981	1,826,268	437,287	31.5%
<b>Total</b>	<b>\$ 1,637,026,563</b>	<b>\$ 1,914,208,584</b>	<b>\$ 277,182,021</b>	<b>16.9%</b>

**EMPLOYEE CAP CHANGES:**

None.

**COUNCIL AUDITOR’S OFFICE  
 COMMENTS AND RECOMMENDATIONS  
 2017/18 PROPOSED BUDGET  
 POLICE & FIRE PENSION ADMINISTRATION (S/F 621)**

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**POLICE AND FIRE PENSION PLAN FUNDING POSITIONS:**

Unfunded Actuarial Accrued Liability (UAAL) at October 1, 2016 (Per PFPF Actuarial Impact Statement dated April 19, 2017)

<b>Actuarial Accrued Liability (AAL)</b>	<b>Actuarial Value of Assets*</b>	<b>UAAL</b>	<b>Funded Ratio</b>
<b>(a)</b>	<b>(b)</b>	<b>(a-b)</b>	<b>(b/a)</b>
3,518,251,848	1,513,398,466	2,004,853,382	43.02%

\*Does not include \$95,543,156 in reserve accounts or \$4,102,201 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 \$122,874 from \$1,093,983 to \$971,109 as seen on REVISED Schedule AC in order to reduce the General Employees’ defined benefit pension contribution as a result of the 2017 pension reform, as well as reducing the group hospitalization to account for the five contribution “holidays” proposed for the City and participants in the plan and to correct a two dollar erroneous amount for “personnel services”. This will require that Trust Fund Revenues be decreased on REVISED Schedule AB by \$122,874 in order to balance the budget.
- 2) We recommend increasing the Police and Fire Pension Fund budgeted expenses for Indirect Costs to \$65,400. This would reflect the amount per the study and budgeted to be received by the General Fund/GSD. We also recommend increasing Trust Fund Revenues by \$65,400 in order to balance revenues with expenditures. This will require that Schedules AB & AC of the Budget Ordinance be adjusted to reflect these changes.
- 3) We recommend adding the authorized cap of 8 employees and 0 part-time hours be added to Schedule AC consistent with the prior year’s approved handout.

POLICE AND FIRE PENSION FUND  
BUDGET FISCAL YEAR 2017-2018

**REVENUES**

Trust Fund Revenues	\$	11,542,427
Building Rental Revenues	\$	614,518
Parking Revenues	\$	150,000
<b>Total Revenue Appropriations</b>	\$	<b><u>12,306,945</u></b>

Schedule AB

**EXPENDITURES**

<u>Administration</u>		
Personnel Services	\$	1,093,983
Operating Expenses	\$	<u>11,016,842</u>
	\$	12,110,825
 <u>Building Operations</u>		
Operating Expense	\$	172,220
 <u>Parking Operations</u>		
Operating Expense	\$	23,900
<b>Total Expenditure Appropriations</b>	\$	<b><u>12,306,945</u></b>

Schedule AC

**POLICE AND FIRE PENSION FUND  
JACKSONVILLE, FLORIDA  
BUDGET FISCAL YEAR 2017/2018**

**REVISED SCHEDULE AB**

**ESTIMATED REVENUES**

Trust Fund Revenues	\$ 11,484,953
HQ Building Operations	614,518
Parking Garage Operations	150,000
<b>Total Estimated Revenues</b>	<b><u><u>\$ 12,249,471</u></u></b>

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**REVISED SCHEDULE AC**

**APPROPRIATIONS**

<u>Administration</u>	
Personnel Services	\$ 971,109
Operating Expenses	<u>11,082,242</u>
Total Administration	\$ 12,053,351
<u>Rental</u>	
HQ Building Operations	\$ 172,220
Parking Garage Operations	<u>23,900</u>
Total Rental	\$ 196,120
<b>Total Appropriations</b>	<b><u><u>\$ 12,249,471</u></u></b>

**Authorized Full-Time Positions - 8  
Part - Time Hours - 0**

**COUNCIL AUDITOR'S OFFICE  
COMMENTS AND RECOMMENDATIONS  
MAYOR'S PROPOSED FY 2017/18 BUDGET  
RISK MANAGEMENT DIVISION  
SELF-INSURANCE (S/F 561)**

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**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.

**REVENUE**

1. Charges for Services
  - The increase of \$3,397,187 is mostly due to an increase of \$3,479,409 in billings for workers compensation based on changes in the actuarial report.
2. Investment Pool / Interest Earnings
  - The decrease of \$978,525 is due to decreases in investment pool earnings of \$689,130 and earnings from escrow deposits of \$289,395 based on the projected cash balance and the interest rate from Treasury.
3. 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.
4. Transfers from Fund Balance
  - A transfer from the fund balance was appropriated in prior year to pay costs related to a structured settlement (\$1,000,000 in FY 2016/17 and \$600,000 in FY 2017/18) and for ergonomic assessments (\$50,000 in FY 2016/17 and \$113,633 in FY 2017/18). These amounts are now reducing the cash carryover as explained below.

**EXPENDITURES**

1. Salaries
  - The increase of \$71,234 is mostly due to an increase of \$70,144 in salaries caused by increases related to the 2017 pension reform as well as special and end of probation increases that took place during the year.
2. Pension Costs
  - The decrease of \$29,459 in pension costs is due to a decrease of \$76,496 for the defined benefit plan costs and an increase of \$48,455 for the defined contribution plan costs as a result of the 2017 pension reform.

**COUNCIL AUDITOR'S OFFICE  
COMMENTS AND RECOMMENDATIONS  
MAYOR'S PROPOSED FY 2017/18 BUDGET  
RISK MANAGEMENT DIVISION  
SELF-INSURANCE (S/F 561)**

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3. Employer Provided Benefits
  - The decrease of \$48,345 in employer provided benefits is mostly due to a decrease of \$50,652 for health insurance which is mainly the result of the five contribution “holidays” proposed for the City and participants in the plan.
4. Internal Service Charges
  - The increase of \$31,550 is mostly due to a decrease of \$31,252 in the computer maintenance and security allocation caused by increased costs for agency specific application services.
5. Insurance Costs and Premiums
  - The increase of \$1,770,858 is mostly due to the following:
    - an increase of \$2,617,835 in the costs of the workers compensation program as projected by actuary based on a 55% confidence level.
    - a decrease of \$400,000 in the special payment related to a structured settlement (FY 2018/19 will be the last payment year).
    - a decrease of \$421,154 in the costs of the general liability insurance program as projected by the actuary even with an increase in the confidence level from 55% to 65%.
6. Other Operating Expenses
  - The increase of \$95,460 is mostly due to an additional \$100,000 for furniture and equipment to be provided to departments after ergonomic assessments are completed which would be recovered in the following fiscal year. Ergonomic assessments in FY 2017/18 with equipment deployed will be billed in FY 2018/19 to the receiving department through an internal service charge.
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 increase of \$21,579 is due to an increase in total costs for S/F 581.
8. Indirect Costs
  - This is an allocation of costs to operate central services of the City (e.g. Finance and Administration, Employee Services and City Council) as calculated by the City's independent consulting firm.
9. Contingency
  - The proposed contingency amount of \$123,967 is part of the overall pension reform reserves being set aside as funds to be available to offset future salary increases agreed to in the recently approved collective bargaining agreements.



**COUNCIL AUDITOR'S OFFICE  
COMMENTS AND RECOMMENDATIONS  
MAYOR'S PROPOSED FY 2017/18 BUDGET  
RISK MANAGEMENT DIVISION  
SELF-INSURANCE (S/F 561)**

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**PROPOSED BUDGET BOOK - Page # 184-186**

10. Cash Carryover

- This amount is the \$1,071,609 from the General Fund – GSD for Adam's Mark after being reduced by the following items to avoid having both a transfer from fund balance and cash carryover in the same subfund.
  - \$600,000 for a structured settlement payment; and
  - \$113,633 for the ergonomic assessments (\$150,000 budgeted expense less \$33,367 which will be billed out in FY 2017/18 to areas which received them in FY 2016/17).

**EMPLOYEE CAP CHANGES:**

There are no changes.

**RECOMMENDATION:**

None

**COUNCIL AUDITOR'S OFFICE  
COMMENTS AND RECOMMENDATIONS  
MAYOR'S PROPOSED FY 2017/18 BUDGET  
RISK MANAGEMENT DIVISION  
INSURED PROGRAMS (S/F 581)**

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**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 increased by \$150,792 due to a decrease in interest earnings and an increase in the overall costs of the program.
2. Investment Pool / Interest Earnings
  - The decrease of \$44,053 is to align with the projected available cash and the interest rate projected by the Treasury Division.
3. Transfers from Fund Balance
  - This amount is being appropriated and budgeted to pay the City's deductible for any FY 2017/18 incidents. It will be billed back to the using agencies in FY 2018/19, if incurred.

**EXPENDITURES**

1. Salaries
  - The increase of \$119,190 is mostly due to an addition of a \$70,000 position, salary increases related to the 2017 pension reform, and end of probation and special salary increases for some employees that have occurred during the year.
2. Pension Costs
  - The increase of \$12,615 is mainly due to an increase of \$22,717 in defined contribution plan costs related to an addition of a new position, increases in salaries, and an increased employer contribution rate. This was somewhat offset by a decrease in defined benefits costs of \$10,733 as a result of the 2017 pension reform.
3. Employer Provided Benefits
  - The decrease of \$10,389 is primarily due to a decrease of \$11,765 in group hospitalization insurance as a result of the five contribution "holidays" proposed for the City and participants in the plan.
4. Internal Service Charges
  - The decrease of \$16,622 is mainly due to a decrease of \$23,739 in computer maintenance and security allocation caused by a decrease in agency specific application services. It was slightly offset by an increase of \$4,952 in OGC allocation to align with the actual usage.

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COMMENTS AND RECOMMENDATIONS  
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RISK MANAGEMENT DIVISION  
INSURED PROGRAMS (S/F 581)**

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**PROPOSED BUDGET BOOK - Page # 187-189**

5. Insurance Costs and Premiums

- The decrease of \$64,382 is mainly due to:
  - a decrease of \$150,000 in excess worker's compensation policy (market fluctuations and better experience)
  - a decrease of \$45,000 in property liability policy (market fluctuations)
  - a decrease of \$30,000 for special events policy (Sea and Sky air show is being produced by Navy, not City, in FY 2017/18)
  - a removal of \$30,000 for fiduciary liability policy (it was determined that there was no need for this policy)

This was slightly offset by:

- an increase of \$121,100 in excess general liability (market fluctuations and adverse experience)
- an addition of \$75,000 for cyber liability policy (new policy)

6. Supervision Allocation

- This amount represents the cost of the administrative staff housed in the Insured Programs (S/F 581) which are allocated to the Self Insurance (S/F 561). The increase of \$21,579 is due to an increase in the administrative costs in this subfund (more costs are billed out).

7. Indirect Costs

- This is an allocation of costs to operate central services of the City (e.g. Finance and Administration, Employee Services and City Council) as calculated by the City's independent consulting firm.

8. Contingency

- The proposed contingency amount of \$45,921 is part of the overall pension reform reserves being set aside as funds to be available to offset future salary increases agreed to in the recently approved collective bargaining agreements.

**EMPLOYEE CAP CHANGES:**

Addition of one (1) position with a salary of \$70,000 is bringing cap to seven (7). Part-time hours are being reduced from 1,824 to 1,110.

**RECOMMENDATIONS:**

None

**COUNCIL AUDITOR'S OFFICE  
COMMENTS AND RECOMMENDATIONS  
MAYOR'S PROPOSED FY 2017/18 BUDGET  
FINANCE AND ADMINISTRATION  
GENERAL FUND/GENERAL SERVICES DISTRICT (S/F 011)**

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**PROPOSED BUDGET BOOK - Page # 148-150**

**BACKGROUND:**

The General Fund/General Services District portion of the department houses the Office of the Director (which includes the Grants and Contract Compliance Office and the Gateway Customer Service Center), Accounting, Budget Office, Treasury and Procurement (including 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.

2. Miscellaneous Revenue:

- This revenue represents accounting service charges and payroll fees including child support deductions, union/police charity and Tourist Development Council fees.

**EXPENDITURES:**

1. Salaries:

- The increase of \$513,574 is primarily due to an increase of \$486,998 in salaries resulting from recently approved collective bargaining agreements, salary increases for some positions approved in FY 2016/17, and three (3) previously unfunded positions being funded in FY 2017/18.

2. Pension Costs:

- The decrease of \$226,343 is mainly due to a decrease of \$348,234 related to the reduced contribution for the City's defined benefit pension plan as a result of the 2017 pension reform. This is somewhat offset by an increase of \$120,264 for defined contribution plan costs due to increases in salaries as described above and increased employer contribution rates.

3. Employer Provided Benefits:

- The decrease of \$128,577 is mainly due to a decrease of \$149,899 in health insurance as a result of the five contribution "holidays" proposed for the City and participants in the plan.

4. Internal Service Charges:

- The increase of \$519,826 is due to:
  - An increase of \$586,084 for computer system maintenance and security cost allocation primarily due to increased costs for ERP system implementation, various projects (implementation of new software or upgrades, refresh of systems/hardware and software enhancement), and maintenance activities.

**COUNCIL AUDITOR'S OFFICE  
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GENERAL FUND/GENERAL SERVICES DISTRICT (S/F 011)**

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**PROPOSED BUDGET BOOK - Page # 148-150**

- An increase of \$118,695 for the Ed Ball building cost allocation due to more accurate allocation of square footage.
  - A decrease of \$213,877 for legal cost allocation due to a decrease in usage of services related to the end of pension reform negotiations.
5. Professional and Contractual Services:
- The increase of \$351,699 is primarily due to increases of:
    - \$246,900 in additional professional services mostly for the pension reform actuary, outside legal counsel, and contracting colleges to provide training to small and emerging business owners.
    - \$104,999 in new contractual services for a vendor to scan and index the backlog of accounting records.
6. Other Operating Expenses:
- The increase of \$147,928 is mostly due to an increase of \$137,830 for software/hardware maintenance and licenses related mostly to the budgeting of a full-year's cost of a new grants management system instead of a partial year as in FY 2016/17.
7. Capital Outlay:
- The increase of \$25,497 in office furniture and equipment is due to the budgeting of two replacements for obsolete microfiche reading systems.
8. Grants, Aids, and Contributions:
- The increase of \$397,001 is due to the budgeting of \$400,000 for funding of an ex-offender employment program. This budget item was moved from Jacksonville Journey (S/F 019).

**DIVISIONAL CHANGES:**

- The increase of \$635,246 for Accounting is primarily due to:
  - An increase of \$332,662 for computer system maintenance and security cost allocation primarily due to ERP system implementation and various projects (upgrades for applications, servers, and system infrastructure.)
  - An increase of \$289,654 in salaries mostly resulting from three (3) previously unfunded positions being funded in FY 2017/18, recently approved collective bargaining agreements, and salary increases for some positions approved in FY 2016/17.
  - An increase of \$104,799 in contractual services for a vendor to scan and index the backlog of accounting records.
  - An increase of \$25,499 in office furniture and equipment is due to the budgeting of two replacements for obsolete microfiche reading systems.

**COUNCIL AUDITOR'S OFFICE  
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**PROPOSED BUDGET BOOK - Page # 148-150**

- A decrease of \$159,665 in defined benefit pension plan costs is the result of the reduced contribution for the City's defined benefit pension plan as a result of the 2017 pension reform. This is offset by an increase of \$59,160 in defined contribution plan costs mostly due to an increase in salaries as described above, and changes in employee pension plan elections.
- A decrease of \$41,481 for health insurance is mainly the result of the five contribution "holidays" proposed for the City and participants in the plan.
- The increase of \$15,371 for the Budget Office is primarily due to:
  - An increase of \$67,297 in salaries is mostly related to salary increases for some employees approved in FY 2016/17 and recently approved collective bargaining agreements.
  - An increase of \$15,606 in defined contribution plan costs due to increases in salaries as described above and increased employer contribution rates.
  - A decrease of \$60,020 in defined benefit pension plan costs is the result of the reduced contribution for the City's defined benefit pension plan as a result of the 2017 pension reform.
- The increase of \$760,230 for the Office of the Director is primarily due to:
  - An increase of \$400,000 in subsidies and contributions to private organizations for the funding of an ex-offender employment program. This budget item was moved from Jacksonville Journey (S/F 019).
  - An increase of \$150,000 in professional services for the pension reform actuary and any necessary outside legal counsel.
  - An increase of \$135,925 for computer system maintenance and security allocation mostly related to various projects and grants management software.
  - An increase of \$123,135 in hardware/software maintenance and licenses for a full-year's cost of a new grant management system instead of a partial year as in FY 2016/17.
  - An increase of \$117,767 for the Ed Ball building cost allocation due to more accurate allocation of square footage.
  - A decrease of \$224,109 for legal cost allocation due to a decrease in usage of services related to the end of pension reform negotiations.
- The increase of \$73,135 for Procurement is primarily due to:
  - An increase of \$87,926 in computer system maintenance and security allocation is primarily due to server upgrades, maintenance activities, and usage of an enterprise document management system.
  - An increase of \$82,663 in salaries mostly related to recently approved collective bargaining agreements and salary increases for some positions approved in FY 2016/17.

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**PROPOSED BUDGET BOOK - Page # 148-150**

- An increase of \$80,000 in professional services for contracting colleges to provide training to small and emerging business owners.
- A decrease of \$104,704 in defined benefit pension plan cost is the result of the reduced contribution for the City's defined benefit pension plan as a result of the 2017 pension reform.
- A decrease of \$69,503 in health insurance is mainly the result of the five contribution "holidays" proposed for the City and participants in the plan.
- The increase of \$114,433 for the Treasury is primarily due to:
  - An increase of \$46,524 in defined contribution plan costs mainly related to increases in salaries as described below, increased employer contribution rates, and changes in employee pension plan elections.
  - An increase of \$37,588 in salaries mostly related to the recently approved collective bargaining agreements.
  - An increase of \$27,849 in computer system maintenance and security mostly due to usage of an enterprise document management system.

**SERVICE LEVEL CHANGES:**

None.

**EMPLOYEE CAP CHANGES:**

One (1) full-time position was moved from Procurement to the Neighborhoods Department during the year bringing this Department's cap down to 103.

**RECOMMENDATION:**

At the request of the Budget Office, we recommend the removal of \$36,300 in leave rollback/sellback since the employee it was associated with is no longer with the City. This will have a positive impact of \$36,300 to the Special Council Contingency.

**COUNCIL AUDITOR'S OFFICE  
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FINANCE AND ADMINISTRATION  
DRIVER EDUCATION SAFETY TRUST (S/F 1HA)**

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**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:**

1. Charges for Services:

- The decrease of \$12,347 in traffic court criminal & civil service charges is based on a projected decrease in charges. The budget amount of \$275,677 represents anticipated fines received for FY 2017/18.

2. Investment Pool/Interest Earnings:

- The decrease of \$5,886 is based on the expected cash balance and the interest rate projected by the Treasury Division.

3. Transfer from Fund Balance:

- The amount of \$11,821 is an error. See recommendation below.

**EXPENDITURES:**

4. Grants, Aids & Contributions:

- The amount of \$293,588 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:**

The Finance and Administration Department requests to remove the fund balance appropriation of \$11,821 in this all-years fund. The Department also requests to correct the following all-years revenue balances:

- Decrease Investment Proceeds (S/O 361101) in Index JXSF1HA by \$31,498 and Traffic Court Criminal & Civil Service Charges (S/O 34852) in Index AFOD1HADE by \$460,000
- Increase Investment Proceeds (S/O 36120) in Index JXSF1HA by \$187,052, Miscellaneous Sales & Charges (S/O 36907) in Index AFOD1HADE by \$32,086, and Traffic Court Criminal & Civil Service Charges (S/O 34852) in Index RCBH1HA by \$284,181

This has no effect on Special Council Contingency.



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FINANCE AND ADMINISTRATION  
MOTOR VEHICLE INSPECTION (S/F 431)**

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**PROPOSED BUDGET BOOK - Page # 156-158**

**BACKGROUND:**

The Fleet Management Division manages the inspection stations for school buses, city vehicles and vehicles for hire. Legislation related to vehicles for hire has put a hold on the revenue generated by fees on vehicles for hire for a significant period of time. Ordinance Code Section 110.407 provides for a permanent annual appropriation for the revenues generated by this fund.

**REVENUE:**

1. Charges for Services

- The decrease of \$75,495 is primarily due to a decrease of \$103,810 in vehicles for hire fees due to the temporary moratorium on medallion renewals and late fees that was extended through September 27, 2017. The FY 2017/18 revenue estimate assumes that the moratorium will be extended and that there will be no definitive resolution in FY 2017/18.

2. General Fund Loan

- The increase of \$78,371 is due to a revenue shortfall caused by the extension of the moratorium related to vehicles for hire. To keep the fund balanced the General Fund is providing a loan.

**EXPENDITURES:**

1. Salary & Benefit Lapse

- The decrease of \$8,510 is based on the average turnover ratio and estimated number of vacancies in FY 2017/18.

2. Pension Costs

- The net decrease of \$12,539 mostly due to a decrease of \$25,586 is mainly the result of the reduced contribution for the City's defined benefit pension plan as a result of the 2017 pension reform. The decrease is partially off-set by an increase of \$13,014 in defined contribution pension costs related to collective bargaining and pension reform and plan elections by new hires.

3. Employer Provided Benefits

- The decrease of \$12,847 is due to a decrease of \$14,785 for health insurance which is mainly the result of the five contribution "holidays" proposed for the City and participants in the health insurance plan.

4. Internal Service Charges

- The net increase of \$2,257 is due to a \$2,703 increase in IT computer system maintenance / security allocation for initiation of new projects and current year usage.

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MOTOR VEHICLE INSPECTION (S/F 431)**

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**PROPOSED BUDGET BOOK - Page # 156-158**

5. Other Operating Expenses

- The decrease of \$15,757 is due to a decrease of \$12,816 in hardware/software maintenance and licenses that was for an ITD project to build a database for school bus inspections which is no longer needed.

6. Indirect Cost

- This is an allocation of costs to operate central services of the City (e.g. Finance and Administration, Employee Services and City Council) as calculated by the City's independent consulting firm.

7. Contingencies

- The proposed contingency amount of \$26,721 is part of the overall pension reform reserves being set aside as funds to be available to offset future salary increases agreed to in the recently approved collective bargaining agreements.

**EMPLOYEE CAP CHANGES:**

The authorized cap in this fund is unchanged.

**SERVICE LEVEL CHANGES:**

None.

**RECOMMENDATION:**

We recommend eliminating the transfer from the General Fund/GSD and offsetting this with a transfer from fund balance within the subfund since there is projected to be approximately \$160,000 available on 9/30/17. This will have a positive impact to the Special Council Contingency of \$78,371.