

**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 #7 MINUTES**

**August 30, 2018**

**9:00 a.m.**

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

**In attendance:** Council Members Greg Anderson, Joyce Morgan, Lori Boyer, Reggie Gaffney, Bill Gulliford, Jim Love, Sam Newby

**Excused**:

**Also**: Council Members Danny Becton, Terrance Freeman (arr. 9:11), Matt Schellenberg (arr. 10:04), Ju’Coby Pittman (arr. 1:30), Aaron Bowman (arr. 1:52), John Crescimbeni (arr. 3:36)

Peggy Sidman and Paige Johnston – Office of General Counsel; Kyle Billy and Brian Parks - Council Auditor’s Office; Adri Maguire-Segui - Legislative Services Division; Sam Mousa – Mayor’s Office; Mike Weinstein and Angela Moyer – Finance and Administration Department

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

Chairman Anderson convened the meeting and the attendees introduced themselves for the record. Mr. Anderson thanked all of the staff involved for making the budget process run so smoothly this year. He described the process for considering enhancement requests at the end of today’s meeting, which will occur after the lunch break and begin at 1:30 p.m. Council Member Boyer suggested handling the budget-neutral enhancement requests first to clear the deck for the discussion of the allocation of the remaining Special Council Contingency funds. Council Member Gulliford suggested beginning by separating the one-time enhancements from those that have future year funding implications. Council Member Gaffney recommended a general discussion to prioritize the items on the list rather than considering the requests in chronological order by the date requested, which disadvantages the items proposed later in the process. Council Member Boyer agreed that there is value to determining if there is consensus around particular items at the start of the process before dealing with items with less common agreement.

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

Police and Fire Pension Fund

**Motion**: on p. 4, approve Council Auditor’s recommendations 1, 2 and 3 to remove and replace Schedule AB and AC with REVISED Schedule AB and REVISED Schedule AC in order to perform the following:

1. Increase “Personnel” on Schedule AC by $7,154 and reduce “Operating Expenses” on Schedule AC by $7,154 in order to correctly classify workers compensation – **approved unanimously**
2. Reduce “Personnel” by $135,456 on Schedule AC in order to reduce the General Employees’ Defined Benefit pension contribution to correct the amount, reduce the group hospitalization, group life and group dental to reflect the proper number of pay periods, to increase the employer contribution for the Defined Contribution for two employees that was erroneously omitted, and to fix a $1 error. This will be offset by reducing “Trust Fund Revenues” by $135,456 on REVISED Schedule AB in order to balance the budget – **approved unanimously**
3. Remove FY 2017/18 Adopted and FY 2018/19 Proposed amounts from the schedule; add a subtotal for Administrative Costs and other formatting changes as depicted on Revised AB and AC based on all of these recommendations – **approved unanimously**

In response to a question from Council Member Gulliford, Tim Johnson, Executive Director of the Police and Fire Pension Fund, confirmed that the Fund is receiving a good rate of return on its ownership of its building and parking garage, equal to its rate of return on its other real estate investments. Mr. Johnson said that the PFPF is in the midst of a transition to the new defined contribution pension plan and looks forward to improved service to members in the year to come. He is comfortable that the investment returns this year are above the assumed rate of return in the pension reform plan. In response to a question from Council Member Becton, Kyle Billy said that the budget is allocating $14 million this year into the pension reserve fund (on top of $60 million last year) which is in line with the pension reform model. CFO Mike Weinstein said that the model was built on a “worst case scenario” of no growth which is not the case, so there may be no need to use any of the reserve fund in future years depending on revenue trends. He confirmed that the number of employees has increased above the pension reform model, as have increased base salaries and overall salary costs due to promotions. In response to a question from Chairman Anderson, Mr. Johnson reported that the City’s primary investment consultant (Summit Investing) has been acquired by another company and is exiting from the public pension field very shortly. The PFPF is considering entering into a temporary agreement with another investment firm while an RFP for a permanent advisor is issued. Mr. Weinstein said that Summit is also the City’s investment consultant for the General Employees’ Pension Plan and Correctional Officer Pension, so is in the same situation of needing to issue an RFP for a new consultant.

General Employees’ Pension Fund

**Motion**: on p. 9, approve Auditor’s recommendation #1 within Miscellaneous Revenue to move the $14,157,839 from Payroll Deduction City of Jacksonville to Employers Contribution City of Jacksonville to be consistent with how other pension subfunds are budgeted – **approved unanimously**

Correctional Officers Pension Trust

**Motion**: on p. 9, approve Auditor’s recommendation #2 to decrease the Supervision Allocation to the Correctional Officers’ Pension Fund by $39,933 to a total of $151,006 and offset by increasing Employers Contribution City of Jacksonville in the Miscellaneous Revenue category amount by $39,933

in order to balance revenues with expenditures within this subfund and a decrease in Correctional Officers Pension Fund (613) for the same amount - **approved unanimously**

In response to a question from Council Member Gulliford, City Treasurer Joey Greive said that the JEA represents approximately 50% of the accrued liability of the General Employees’ Pension Plan. Mr. Weinstein said that the investment return for last year was 9%, which is considerably higher than the assumed rate of return of 7.2%, which is gradually being reduced to 7% in the next couple of years. In response to a question from Council Member Becton, Mr. Greive said that investment fees range from 0.5 to 0.6% of assets managed. He said that the City’s pension fund rate of return ranks in the top 20-25% of public pension funds over the past few years.

Disability Pension Trust Fund

**Motion**: on p. 12, approve Auditor’s recommendation within Miscellaneous Revenue to move the $25,659 from Payroll Deduction City of Jacksonville to Employers Contribution City of Jacksonville to make this more consistent with the other subfunds – **approved unanimously**

Self-Insurance

In response to a question from Council Member Gulliford, Risk Manager Twane Duckworth said that a national rating agency sets workers compensation rates for both public and private employers. Mr. Duckworth said that the growth in heart and hypertension-related disability claims has leveled off over the last couple of years as the City emphasizes employee health and wellness initiatives. In response to a question from Council Member Morgan, Mr. Duckworth said that the Go365 program is helpful in incentivizing employees to live healthier, more active lifestyles, but is still too new to have generated hard data on positive effects. In response to a question from Council Member Schellenberg, Mr. Duckworth said that a change in state law now allows indemnity claims for Post-Traumatic Stress Disorder (PTSD) cases not associated with physical injuries. He also said that the Florida Legislature is considering adopting a work-related cancer presumption for first responders, which will be very expensive if enacted. In response to a question from Chairman Anderson, Mr. Weinstein explained the history of the City’s loan from this fund to the former Adam’s Mark hotel (now the Hyatt Regency), which is being paid off this year.

**The committee was in recess from 10:26 to 10:34 a.m.**

Insured Programs

In response to a question from Council Member Boyer, Mr. Duckworth said that the City does have a windstorm and flood damage policy to cover hurricane damages. $3 million in claims have been paid so far of the $5.5-$6 million covered damage for Hurricane Matthew. Hurricane Irma produced lots of small damage items (unlike the expensive damage to the Jax Beach Pier from Hurricane Matthew) so the City hasn’t gotten an advance payment yet on that storm from the insurer since our total deductible hasn’t been determined. The insurance payments received go to Risk Management and are subsequently allocated to the hurricane-specific funds where the storm expenses are accumulated and paid. Mr. Mousa said that $28 million of the $35 million in damage caused by Hurricane Matthew has been reimbursed by FEMA thus far. FEMA will not reimburse for the Jax Beach Pier until the structure is actually rebuilt. The City has not yet received any FEMA reimbursement for Hurricane Irma-related losses.

Finance and Administration

No recommendations

Driver Education Safety Trust

No recommendations

Motor Vehicle Inspection

No recommendations

Committee Discussion

**Motion**: approve Enhancement List Item #4 – City Council request for increase in the employee cap by 1 position be funded by transferring funds from the Value Adjustment Board – **approved unanimously**

**Motion**: approve Enhancement List Item #10 – Parks and Recreation Department request for an increase in the employee cap by 1 unfunded position – **approved unanimously**

At Council Member Gulliford’s suggestion, the committee agreed to take up Enhancement List Item #15 – allocation of $300,000 to Kids Hope Alliance for Stop the Violence grants - first in the afternoon session.

Council Member Boyer said that she has been working with the Council Auditor’s Office to format the Community Redevelopment Area (CRA) budgets to reflect the state-authorized categories of expenses: 1) administrative expenses, 2) financial obligations (loans, REV grants, etc.), 3) plan authorized expenditures, 4) future years’ debt reduction. No dollar amounts have been changed, only reorganized into the 4 categories. The CRA boards will have some flexibility to move funds between certain categories and in certain maximum amounts without further Council action. These budget revisions reflect an Ordinance Code amendment currently pending in a bill before the City Council. Ms. Boyer said that the committee would be receiving a white paper on this revision later today. Mr. Mousa said that, despite the fact that the Florida Statutes authorize CRAs to issue debt, that has not been the practice in Jacksonville. The City issues debt on behalf of the CRAs using its revenue pledges for the sake of obtaining better bond ratings, but the CRAs pay back the debt from their available revenues.

**Motion** (Boyer): grant the Auditor’s Office the authority to reformat the budgets of the various CRAs using the four state-authorized categories described above – **approved unanimously**

Ms. Boyer said that she expects to have an opinion from the Office of General Counsel regarding the eligibility of the Harts Road Bridge project to be constructed using JIA CRA funding since, although it has appeared in the City’s CIP, it was only listed for construction beyond the first 3 years of the plan. The opinion involves the interpretation of the applicability of a state statue prohibiting construction of projects using CRA funds that have been listed in a CIP within the past 3 years.

**The committee was in recess from 11:32 to 1:34 a.m.**

Budget Wrap-Up/Enhancement Requests

Budget Officer Angela Moyer said that she and the auditors had agreed on a methodology for dealing with the budgeting for tables and chairs for the Convention Center as discussed in a previous meeting.

**Motion** (Boyer): move pay-as-you-go funding for Convention Center tables and chairs to the City’s budget for the Convention Center in a proper line item for furniture – **approved unanimously**

Deputy General Counsel Lawsikia Hodges reported that the Office of General Counsel has opined that City Council can appropriately fund the Hart’s Road Bridge replacement project using JIA CRA funds once it is removed from the CIP program.

**Motion** (Boyer): on p. 51 of the CIP book, remove the Hart’s Road Bridge project from all years of the CIP – **approved unanimously**.

**Motion** (Boyer): reduce the JIA CRA Unallocated Plan Authorized Expenditures by $3 million and insert a $3 million project entitled Hart’s Road Bridge Replacement under Plan Authorized Expenditures category with the same project scope as removed from the CIP above - **approved unanimously.**

Deputy General Counsel Peggy Sidman distributed and briefly discussed an enhancement request by Council President Bowman made on behalf of the Sulzbacher Center for the Homeless for an allocation of $200,000 for a project entitled “Co-location of MHRC Link and Quest programs on the Sulzbacher campus”. Discussion was deferred until the Council President could be present to comment.

**Motion** (Boyer): approve Enhancement Request #15 to appropriate $300,000 to a Stop the Violence grant program through the Kids Hope Alliance to make mini-grants to community agencies for violence reduction programs –

Council Member Gaffney urged that this program not be a one-time effort but the beginning of an ongoing annual program. Joe Peppers, CEO of the Kids Hope Alliance, explained how he envisioned the KHA deploying the funds and evaluating the success of the grants. Council Member Gulliford urged that the programming to be funded by these grants be spread countywide with a holistic plan in mind to attack problems wherever they may be located, which is countywide. He urged that all of the groups currently working on various programs throughout the community be identified and their efforts coordinated since there is already a great deal going on that may not be widely known. Mr. Peppers agreed that the grant program is intended to fund small grants ($10,000 or less) to 501(c)(3) not-for-profit organizations. Council Member Pittman noted that the grant recipients will be required to comply with all of the usual City grant requirements (separate bank accounts, annual audits or financial reports, background checks, etc.) which may be problematic for very small organizations with very small administrative capabilities. She suggested that they may need to partner with other larger organizations with greater capabilities to help them allocate the greatest amount of funding to programs rather than to administrative costs. Council Member Schellenberg urged that groups working in the same geographic area work collaboratively rather than separately. Council Member Gulliford said that some small organizations may not hold 501(c)(3) status and suggested that the City may need to develop some sort of assistance mechanism to help those organizations be able to participate. In response to a question from Chairman Anderson, Mr. Mousa said that this Stop the Violence initiative is a new program, but the KHA already has a min-grant program in place and could use those guidelines and application procedures.

The Boyer motion was **clarified** to reference use for small grants of $10,000 or less that will be available for expenditure countywide without limitation to particular zip codes.

**Motion** (Boyer): amend the previous motion to extend eligibility beyond 501(c)(3) organizations to include other not-for-profits -

The Boyer motion as **clarified** and **amended** was **approved unanimously**.

President Bowman having arrived, the committee discussed the Sulzbacher Center request for $200,000 to renovate a vacant building for the co-location of the MHRC Link and Quest programs. He said that JEA is interested in participating in the project via utility payment assistance.

**Motion** (Bowman): add a request to the list as Enhancement Request #16 to appropriate $200,000 to the Sulzbacher Center to renovate a vacant building for the co-location of the MHRC Link and Quest programs and to fund utilities and JSO security– **approved unanimously**.

In response to a question from Council Member Boyer, Cindy Funkhouser, CEO of the Sulzbacher Center, said that the $200,000 represents $50,000 for building renovation, $70,000 for utilities (recurring expense) and $80,000 for JSO security (recurring expense).

**Motion**: approve Enhancement Request #1 to appropriate $50,000 to fund a consultant to perform a return-on-investment study for the Public Service Grant Council –

Council Members Morgan and Boyer posed questions to Laura Deittrich of the Public Service Grant Council about how the study would work and what results it would provide. Sam Mousa said that a return-on-investment study is not necessary as the City knows that the return is positive. Ms. Deittrich said that the study would help to answer questions that have been posed to the PSG Council by City Council members.

The motion on Enhancement Request #1 was tabled until later in the meeting.

**Motion** (Gulliford): approve Enhancement Request #5 for $4,599 for City Council full communication allowance and council member parking – **approved unanimously**.

**Motion** (Love): approve Enhancement Request #2 to add $50,000 to the Cultural Service Grant Council for additional grant funding capacity –

Tony Allegretti, CEO of the Cultural Council of Jacksonville, discussed how the Council would use $50,000 in additional funding, which is too small to reasonably divide among the 27 funded organizations and have any noticeable effect. He suggested that it could be applied to revision and dissemination of the K-12 school art curriculum. Council Member Gaffney explained the problem he has faced with the prohibition against placing Art in Public Places-funded murals on non-public buildings. In response to a question from Council Member Boyer about the administration’s philosophy behind keeping the Cultural Service Grant allocation at the same level as last year, Mr. Mousa said that the Mayor is very committed to the arts and culture but funding for the arts is a matter of prioritization in relation to many other important needs which were deemed more important this year. The City does invest heavily in arts activities outside of the Cultural Service Grant program (i.e. the annual Jazz Festival and Art in Public Places program). Ms. Boyer expressed reservations about increasing the grant pool for cultural organizations this year when there is a strong possibility that funding may have to be cut next year if the additional homestead exemption is approved.

**Motion** (Boyer): approve Enhancement Request Item #12 to appropriate $360,000 for purchase of a VacCon truck for the Public Works Department –

Council Member Gulliford explained the parliamentary rule that provides that if the Enhancement #12 request, which replaced the Enhancement #2 motion, is approved, the Love motion on Enhancement #2 is eliminated, though it could be subsequently re-introduced. The committee debated the merits of an additional VacCon truck versus other competing priorities. Mr. Mousa said that the Public Works Department could ideally use more than one additional VacCon, but that departmental request did not make it through the MBRC’s prioritization process given other needs. Two of the 5 existing VacCons are planned for replacement in the next year’s (FY19-20) budget.

The Boyer motion was **approved 5-2** (Anderson and Newby opposed).

**Motion** (Morgan): approve Enhancement Request #3 to increase the AGAPE health care appropriation by $150,000 to $250,000 -

Mia Jones of AGAPE said that the funding would provide the resources to treat 750 additional patients, plus purchase lab equipment that would reduce the amount of lab work sent out to independent labs. Their caseload of uninsured patients is increasing. Council Member Boyer felt that Enhancements #11 (grief counseling for child victims/witnesses of crime) and #16 (Sulzbacher Center renovation) are higher priorities in the social service realm than an addition to AGAPE. Council President Bowman said that he could recommend reducing the Sulzbacher Center allocation to $120,000 and try to raise the remaining $80,000 for utilities via JEA or privately.

**Motion** (Boyer): appropriate $125,000 to Enhancement Request #16 for the Sulzbacher Center, $50,000 to Enhancement Request #3 for AGAPE, and $37,732 to KHA for Enhancement Request #11 for grief counseling and burial expenses for children victims/witnesses of crime -

**Motion** (Gulliford): amend the Boyer motion to allocate $120,000 to Enhancement Request #16 for the Sulzbacher Center, $50,000 to Enhancement Request #3 for AGAPE, and $42,732 to KHA for Enhancement Request #11 for grief counseling and burial expenses for children victims/witnesses of crime; authorize a Terms and Conditions sheet for the Sulzbacher Center project attached to Enhancement Request #16 to be used as the basis of a contract – **approved unanimously**.

**Motion**: amend the budget ordinance to remove Sec. 10.6 regarding a waiver to permit Ordinance Code amendments and fee waivers in the budget ordinance, since the waiver is not needed – **approved unanimously**.

Council Member Boyer asked if anyone knew if the Council added 2 additional positons requested by the Tax Collector, could the Tax Collector finance the cost of those positions by reallocating funds internally? Sherry Hall, administrator of the Tax Collector’s Office, said that the new functions serviced by those positions would generate sufficient revenue during the year to fund those positions.

**Motion** (Boyer): authorize 2 additional positions in the Tax Collector’s office (half of Enhancement Request #8) with no associated funding – **approved unanimously**.

Sam Mousa thanked the Finance Committee for its respect and cooperation during the process, and the committee members thanked Chairman Anderson for running a very transparent and efficient budget process. Mr. Anderson thanked the administration for providing a balanced, clear and coherent budget and supporting the process throughout, and thanked the Council Auditor’s Office and Office of General Counsel for their long and hard work.

Council Member Morgan posed questions to Mia Jones of AGAPE about how the reduced funding amount would specifically be used.

**Motion** (Morgan): clarify the earlier motion regarding funding to AGAPE to define the amount being allocated to services versus the amount allocated to the purchase of laboratory equipment, allowing the Office of General Counsel to work with AGAPE to arrive at an exact Terms and Conditions sheet which will be converted into a contract – **approved unanimously**.

**Meeting adjourned:** 4:20 p.m.

Minutes: Jeff Clements, Council Research

8.30.18 Posted 5:30 p.m.

Tapes: Finance Budget Hearing #7 – LSD

8.30.18

Materials: Council Auditor’s Budget Meeting #7 handout - LSD

8.30.18