

OFFICE OF THE COUNCIL AUDITOR

FY 2019/2020 PROPOSED BUDGET

FINANCE COMMITTEE MEMBERS

Aaron Bowman – Chair
LeAnna Cumber – Vice Chair
Randy DeFoor
Terrance Freeman
Tommy Hazouri
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Ron Salem



Meeting #7
August 23, 2019

**COUNCIL AUDITOR'S OFFICE
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**COUNCIL AUDITOR'S OFFICE
 COMMENTS AND RECOMMENDATIONS
 2019/20 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 and Section 121.101 (d) of the Ordinance Code, the Board is required to submit its budget to the City Council for approval. This fund was closed to new employees starting October 1, 2017. The employer contribution amount for FY 2019/20 is \$140,292,637 with \$17,000,000 of the contribution being paid from the City's reserve within the Pension Fund.

The Proposed Police and Fire Pension Fund (PFPF) budget is divided into Administrative Expenditures (\$12,502,070), Building Operations (\$189,872) and Parking Garage Operations (\$26,350) for a total budget of \$12,718,292 which is a decrease of \$302,221 from the prior year budget of \$13,020,513.

ADMINISTRATIVE EXPENDITURES:

Administrative Expenditures	FY 2018/19 Approved	FY 2019/20 Proposed	Dollar Change	Percent Change	
Personnel Services	\$1,019,422	\$1,112,965	\$93,543	9.18%	(A)
Other Operating Expenses	1,184,021	1,135,320	(48,701)	-4.11%	(B)
Professional Services – Investments	10,114,583	9,778,284	(336,299)	-3.32%	(C)
Professional Services – Other	496,561	345,000	(151,561)	-30.52%	(D)
Capital Outlay	-	130,500	130,500	N/A	(E)
Total	\$12,814,587	\$12,502,070	(\$312,517)	-2.44%	

(A) Personnel Services overall are increasing primarily due to the following:

- \$60,772 in salary adjustments due to collective bargaining and step increases during the fiscal year, as well as \$17,849 in part-time salaries for a front desk receptionist.
- There is an increase in pension contribution of \$8,948 which is inaccurate and will be addressed below. (See Recommendation #1)
- There is also an increase of \$4,998 in employer provided benefits which is inaccurate and will be addressed below. (See Recommendation #1 below to correct Medicare Tax formula and number of pay periods)

(B) The net decrease in Other Operating Expenses is primarily due to decreases for computer costs of \$65,486 related to JaxPension maintenance, OGC Legal allocation of \$60,302 due to a decrease in anticipated usage and an increase of \$94,750 in judgements and claims paid for the settlement of ongoing litigation.

(C) The decrease in Professional Services - Investments is due to a decrease in expected money manager fees based on prior year actuals.

(D) The decrease in Professional Services - Other is due to decreases of \$57,561 in outside legal services, \$40,000 in lobbying costs, and \$30,000 in consultants.

(E) The capital outlay of \$130,500 is for a new air-cooled scroll chiller for the building.

**COUNCIL AUDITOR'S OFFICE
 COMMENTS AND RECOMMENDATIONS
 2019/20 PROPOSED BUDGET
 POLICE & FIRE PENSION ADMINISTRATION (S/F 621)**

Professional Services - Investments

Investment Services	FY 2018/19 Approved	FY 2019/20 Proposed	Dollar Change	Percent Change	
Money Managers	\$9,836,219	\$9,500,000	(\$336,219)	-3.42%	(F)
Investment Advisor	245,864	245,784	(80)	-0.03%	
Investment Custodian	32,500	32,500	-	0.00%	
Total	\$10,114,583	\$9,778,284	(\$336,299)	-3.32%	

(F) Per Police and Fire Pension Fund, the decrease is to bring the budget in line with actuals.

Professional Services – Other Services

	FY 2018/19 Approved	FY 2019/20 Proposed	Dollar Change	Percent Change	
Actuary	\$140,000	\$140,000	\$ -	0.00%	
Outside Legal	182,561	125,000	(57,561)	-46.05%	(G)
Auditor	30,000	30,000	-	0.00%	
Consultants	50,000	20,000	(30,000)	-150.00%	(H)
Records Digitization	35,000	18,000	(17,000)	-94.44%	(H)
Elections Services	5,000	5,000	-	0.00%	
Appraiser for Buildings - Real Estate Investments	4,000	4,000	-	0.00%	
Medical	10,000	3,000	(7,000)	-233.33%	(H)
Lobbyist	40,000	-	(40,000)	N/A	(I)
Total	\$496,561	\$345,000	(\$151,561)	-43.93%	

(G) Per Police and Fire Pension Fund, the decrease in outside legal is due to increased usage of OGC and the settlement of ongoing litigation.

(H) Per Police and Fire Pension Fund, the decrease in consultant fees, records digitization and medical services is due to expected decreases in usage going forward.

(I) Per Police and Fire Pension, the Lobbying costs were eliminated as there is no current need for the service.

**COUNCIL AUDITOR'S OFFICE
 COMMENTS AND RECOMMENDATIONS
 2019/20 PROPOSED BUDGET
 POLICE & FIRE PENSION ADMINISTRATION (S/F 621)**

BUILDING OPERATIONS:

The Police and Fire Pension Fund owns and operates 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 2018/19 Approved	FY 2019/20 Proposed	Dollar Change	Percent Change	
Revenues	\$591,970	\$646,768	\$54,798	9.26%	(J)
Operating Expenses	180,831	189,872	9,042	5.00%	(K)
Surplus/(Deficit)	\$411,139	\$456,895	\$45,756	11.13%	

(J) The increase is due to the previous tenant negotiating lease payments to be 11-months. The next tenant will be on a 12-month schedule and there will be an increase in the rental rate.

(K) The increase is primarily due to expected increases in utility costs.

PARKING GARAGE OPERATIONS:

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

	FY 2018/19 Approved	FY 2019/20 Proposed	Dollar Change	Percent Change	
Revenues	\$157,500	\$174,990	\$17,490	11.10%	(L)
Operating Expenses	25,095	26,350	1,255	5.00%	(M)
Surplus/(Deficit)	\$132,405	\$148,640	\$16,235	12.26%	

(L) The increase is due to a planned rate increase for all parking garage customers and an increase in usage from the next tenant.

(M) The increase is due mainly to a higher projected utilities expense.

MARKET VALUE OF INVESTMENTS: Per Summit Strategies Flash Reports

	September 30, 2017	September 30, 2018	Dollar Change	Percent Change
US Equity	\$762,426,466	\$856,709,045	\$94,282,579	12.37%
International Equity	422,048,165	395,972,238	(\$26,075,927)	-6.18%
Fixed Income	374,736,547	405,933,210	\$31,196,663	8.32%
Real Estate	204,583,785	221,406,778	\$16,822,993	8.22%
MLP's/Energy	102,287,417	85,608,407	(\$16,679,010)	-16.31%
Cash	1,337,736	8,638,241	\$7,300,505	545.74%
Total	\$1,867,420,116	\$1,974,267,919	\$106,847,803	5.72%

**COUNCIL AUDITOR’S OFFICE
 COMMENTS AND RECOMMENDATIONS
 2019/20 PROPOSED BUDGET
 POLICE & FIRE PENSION ADMINISTRATION (S/F 621)**

EMPLOYEE CAP CHANGES:

The number of part-time hours is going from 0 to 1,500 hours.

POLICE AND FIRE PENSION PLAN FUNDING POSITIONS:

Unfunded Actuarial Accrued Liability (UAAL) at October 1, 2018 (Per PFPF Actuarial Valuation Report dated February 11, 2019)

Actuarial Accrued Liability (AAL)	Actuarial Value of Assets*	UAAL	Funded Ratio
(a)	(b)	(a-b)	(b/a)
\$3,880,072,506	\$1,865,495,526	\$2,014,576,980	48.08%

*Does not include reserve accounts. \$53,934,577 of reserve accounts belong to the City and \$24,736,292 is being used to reduce the City’s FY 2018/19 contribution and \$17,000,000 is proposed to be used in FY 2019/20. Also, this does not reflect the present value of sales tax attributable to the plan of \$861,255,049, which if included would bring the funding ratio to 70.28%.

RECOMMENDATIONS:

We recommend removing and replacing Schedule AB and AC with REVISED Schedule AB and REVISED Schedule AC in order to perform the following:

- 1) We recommend increasing “Personnel” by \$8,957 on Schedule AC in order to increase the General Employees’ Defined Benefit pension contribution to correct the amount and reducing the group hospitalization, group life and group dental to reflect the proper number of pay periods. This will be offset by increasing “Trust Fund Revenues” by \$8,957 on REVISED Schedule AB in order to balance the budget.
- 2) We recommend removing “FY 18 Adopted” and “Adopt/Amend FY 19” amounts from the schedule. We also recommend adding a subtotal for Administrative costs, other formatting changes, and corrections for rounding issues as depicted on Revised AB and AC based on all of these recommendations.

These adjustments will have no impact on Special Council Contingency.

**POLICE AND FIRE PENSION FUND
BUDGET FISCAL YEAR 2019-2020**

<u>REVENUES</u>	<u>FY 18 Adopted</u>	Adopt/Amend <u>FY 19</u>	Proposed <u>FY 20</u>
Trust Fund Revenues	\$ 11,542,427	\$ 12,271,043	\$ 11,896,534
Building Rental Revenues	\$ 614,518	\$ 591,970	\$ 646,768
Parking Revenues	\$ 150,000	\$ 157,500	\$ 174,990
Total Revenues Appropriations	\$ 12,306,945	\$ 13,020,513	\$ 12,718,292

Schedule AB

<u>EXPENDITURES</u>	<u>FY 18 Adopted</u>	Adopt/Amend <u>FY 19</u>	Proposed <u>FY 20</u>
Personnel	\$ 1,093,983	\$ 1,037,422	\$ 1,112,965
Professional Services	\$ 752,364	\$ 361,561	\$ 345,000
Operating Expenses	\$ 726,780	\$ 1,197,021	\$ 1,135,320
Investments	\$ 9,537,698	\$ 10,114,583	\$ 9,778,284
Capital Improvements			\$ 130,500
Building Operations	\$ 172,220	\$ 265,831	\$ 189,872
Parking Operations	\$ 23,900	\$ 44,095	\$ 26,350
Total Expenditures	\$ 12,306,945	\$ 13,020,513	\$ 12,718,292

Schedule AC

**POLICE AND FIRE PENSION FUND
JACKSONVILLE, FLORIDA
BUDGET FISCAL YEAR 2019/2020**

REVISED SCHEDULE AB

ESTIMATED REVENUES

Trust Fund Revenues	\$ 11,905,490
HQ Building Operations	646,768
Parking Garage Operations	174,990
Total Estimated Revenues	<u><u>\$ 12,727,248</u></u>

REVISED SCHEDULE AC

APPROPRIATIONS

<u>Administration</u>	
Personnel Services	\$ 1,121,922
Operating Expenses	1,135,320
Professional Services - Investments	9,778,284
Professional Services - Other	345,000
Capital Outlay	<u>130,500</u>
Total Administration	\$ 12,511,026
<u>Rental</u>	
HQ Building Operations	\$ 189,872
Parking Garage Operations	<u>26,350</u>
Total Rental	\$ 216,222
Total Appropriations	<u><u>\$ 12,727,248</u></u>

**Authorized Full-Time Positions - 8
Part - Time Hours - 1,500**

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2019/20 BUDGET
GENERAL EMPLOYEES PENSION FUND (S/F 611)**

PROPOSED BUDGET BOOK – Page # 163 - 165

BACKGROUND:

The General Employees' Pension Fund is the City's defined benefit pension fund for general employees which was closed to new employees starting October 1, 2017. This fund records both employee and employer contributions, investment earnings, benefit payments and administrative expenses for the General Employees' Pension Fund. For FY 2019/20, the employers' pension contribution amount is \$71,249,679 with an additional 0.3% of payroll being contributed for disability benefits.

In addition to the City's general employees, this plan covers employees at JEA, Jacksonville Housing Authority, and North Florida Transportation Planning Organization. This plan also includes Clerk of the Courts court-related employees who are not funded by the City.

The assets of the General Employees Pension Fund and Correctional Officers Pension Fund are combined for investment purposes.

REVENUE:

1. Pension Fund Contributions:
 - The revenue amount of \$14,882,892 represents the amount of revenue needed to balance the budget.
2. Transfers from Fund Balance:
 - This represents the pension reform contingency being appropriated and placed back into contingency.

EXPENDITURES:

1. Salaries:
 - The increase of \$44,692 is primarily due to an increase of \$23,001 related to the addition of 1,300 part-time hours for a clerical aide to assist with customer service, scanning and general office support. The increase also includes \$21,201 for scheduled raises related to approved collective bargaining agreements and promotions during the year.
2. Pension Costs:
 - The net increase of \$2,618 is mainly due to increases in salaries.
3. Employer Provided Benefits:
 - The net increase of \$3,992 is mainly due to changes in employee elections for health insurance.
4. Internal Service Charges:
 - The net increase of \$177,045 is mainly due to an increase in computer costs related to updates and corrections for JaxPension and the Pensioner website.

**COUNCIL AUDITOR’S OFFICE
 COMMENTS AND RECOMMENDATIONS
 MAYOR’S PROPOSED FY 2019/20 BUDGET
 GENERAL EMPLOYEES PENSION FUND (S/F 611)**

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5. Professional and Contractual Services:

- The net increase of \$365,503 is primarily due to an increase of \$413,679 in money managers’ fees related to the General Employees Pension Funds’ pro-rata portion of assets increasing from 86.75% to 89.95%. This increase was partially offset by a decrease of \$74,107 in portfolio consultant fees due to a change in consultant which lowered the fees. Below is a breakdown of the professional service contracts.

Services	FY 2018/19 Approved	FY 2019/20 Proposed	Dollar Change	Percent Change
Money Managers	\$12,688,093	\$13,101,747	\$413,654	3.26%
Outside Legal	17,350	20,000	2,650	15.27%
Custodial Fees	164,825	170,905	6,080	3.69%
Actuary Fees	86,750	100,000	13,250	15.27%
Portfolio Consultant	254,007	179,900	(74,107)	-29.18%
Investment Mgr Performance Tracking	30,363	19,339	(11,024)	-36.31%
Scanning/Backfiling	-	10,000	10,000	N/A
Disability Exams	-	5,000	5,000	N/A
Total	\$13,241,388	\$13,606,891	\$365,503	2.76%

6. 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).

7. 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. The increase is related to increases in the Administration and Finance Office of Director and Treasury Division costs that benefit the General Employees Pension Fund.

8. Contingency:

- The amount of \$38,848 is the pension reform contingency.

SERVICE LEVEL CHANGES:

None.

EMPLOYEE CAP CHANGES:

The number of part-time hours is increasing by 1,300 hours to add a clerical aide for the front of the office to help with scanning, customer service, and general office support.

**COUNCIL AUDITOR'S OFFICE
 COMMENTS AND RECOMMENDATIONS
 MAYOR'S PROPOSED FY 2019/20 BUDGET
 GENERAL EMPLOYEES PENSION FUND (S/F 611)**

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SCHEDULE OF INVESTMENTS AT MARKET: Per Summit Strategies Flash Reports

Market Value of Investments*

	September 30, 2017	September 30, 2018	Dollar Change	Percent Change
US Equity	\$784,392,752	\$844,719,679	\$60,326,927	7.69%
International Equity	534,942,397	516,121,498	(18,820,899)	-3.52%
Fixed Income	425,357,675	420,689,381	(4,668,294)	-1.10%
Real Estate	337,469,777	365,111,759	27,641,982	8.19%
MLP's/Energy/Other	149,659,875	158,189,370	8,529,495	5.70%
Cash	3,804,709	3,608,085	(196,624)	-5.17%
Transition Account	169,772	252,198	82,426	48.55%
Total	\$2,235,796,957	\$2,308,691,970	\$72,895,013	3.26%

*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, 2018 (Per Memorandum from the General Employees Retirement Plan Actuary dated March 27, 2019)

Plan Participants	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	UAAL	Funded Ratio
	(a)	(b)	(a-b)	(b/a)
COJ	\$1,612,981,922	\$1,020,031,878	\$592,950,044	63.24%
JEA	1,539,107,182	973,314,313	565,792,869	63.24%
JHA	40,786,483	25,792,920	14,993,563	63.24%
NFTPO	3,804,929	2,406,195	1,398,734	63.24%
Total Plan	\$3,196,680,516	\$2,021,545,306	\$1,175,135,210	63.24%

Does not reflect the present value of the Sales Tax revenue attributable to the plan of \$472,470,212, which if included would bring the funding ratio to 78.02%.

RECOMMENDATION:

None.

**COUNCIL AUDITOR'S OFFICE
 COMMENTS AND RECOMMENDATIONS
 MAYOR'S PROPOSED FY 2019/20 BUDGET
 CORRECTIONAL OFFICERS' PENSION FUND (S/F 613)**

PROPOSED BUDGET BOOK – Page # 166 - 167

BACKGROUND:

The Correctional Officers' Pension Fund was established to provide pension benefits for the correctional officers of the City of Jacksonville. The employer contribution amount for FY 2019/20 is \$15,042,623 with an additional 0.3% of payroll being contributed for disability benefits.

REVENUE:

1. Fines and Forfeits:

- This amount represented the revenue received from the administrative surcharge of \$20 per person arrested and booked into the City's correctional facilities. This revenue has been moved to a separate fund pursuant to collective bargaining. These funds will be used at the discretion of the union.

2. Pension Fund Contributions:

- The revenue amount of \$1,697,738 represents the amount of revenue needed to balance the budget.

EXPENDITURES:

1. Professional and Contractual Services:

- The decrease of \$477,215 is primarily due to a decrease in Corrections' portion of the costs as the costs are prorated based on the asset values of the investments in this plan and the General Employees' Pension Fund (S/F 611). Corrections' percentage portion of the assets decreased from 13.25% to 10.05%. Here is a breakdown of the Professional Services included in the Correctional Officers' Pension Fund budget.

Services	FY 2018/19 Approved	FY 2019/20 Proposed	Dollar Change	Percent Change
Money Managers	\$1,937,902	\$1,461,831	(\$476,071)	-24.57%
Outside Legal	2,650	2,010	(640)	-24.15%
Custodial Fees	25,175	19,095	(6,080)	-24.15%
Actuary Fees	13,250	40,000	26,750	201.89%
Portfolio Consultant	38,797	20,100	(18,697)	-48.19%
Investment Mgr Performance Tracking	4,638	2,161	(2,477)	-53.41%
Total	2,022,412	1,545,197	(477,215)	-23.60%

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).

EMPLOYEE CAP CHANGES:

There are no positions in this subfund. All positions reside in the General Employees' Pension Subfund (S/F 611).

**COUNCIL AUDITOR'S OFFICE
 COMMENTS AND RECOMMENDATIONS
 MAYOR'S PROPOSED FY 2019/20 BUDGET
 CORRECTIONAL OFFICERS' PENSION FUND (S/F 613)**

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CORRECTIONAL OFFICERS' PENSION FUND FUNDING PROGRESS:

Unfunded Actuarial Accrued Liability (UAAL) at October 1, 2018 (Per Correctional Officer's Pension Fund Actuarial Valuation Report)

Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	UAAL	Funded Ratio
(a)	(b)	(a-b)	(b/a)
\$416,673,228	\$207,089,881	\$209,583,347	49.7%

Does not reflect the present value of the Sales Tax revenue attributable to the plan of \$80,631,144, which if included would bring the funding ratio to 69.05%.

RECOMMENDATION:

None.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2019/20 BUDGET
RISK MANAGEMENT DIVISION
SELF-INSURANCE (S/F 561)**

PROPOSED BUDGET BOOK - Page # 157-159

BACKGROUND

This internal service fund administers a self-insured Worker's Compensation and General Auto/Liability program for the City and independent agencies such as JEA, 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. Ordinance 2018-380-E revamped Chapter 128 (Risk Management Program) of the Municipal Code where a new joint operating reserve was established and pooling for the general liability and automobile liability losses was prohibited.

REVENUE

1. Charges for Services
 - This represents the billings to participants for workers compensation charges and reimbursements and ergonomic assessments and equipment.
2. Charges for Services: Insurance Premiums
 - This represents the insurance premiums billings to all of the participants.
3. Investment Pool / Interest Earnings
 - The increase of \$867,111 is due to increases in earnings from escrow deposits of \$552,299 and investment pool earnings of \$314,812 based on available cash and the projected interest rate from the Treasury Division.
4. Transfer In to Pay Debt Service:
 - This was a transfer in from the General Fund/General Services District (S/F 011) associated with a receivable within this subfund for money loaned out by the City for the Adam's Mark Hotel. The last payment was received in FY 2018/19.
5. Transfer From Fund Balance:
 - This represents the pension reform contingency of \$155,027 from FY 2018/19 and \$116,266, which combined with \$33,734 being billed in FY2019/20 brings the funding to \$150,000 for ergonomic assessment costs.

EXPENDITURES

1. Salaries
 - The net increase of \$144,515 is mostly due to an increase in salaries of \$128,078 due to 4.5% general wage increase per the collective bargaining agreements, the addition of one (1) new position, and raises/promotions for some employees during FY 2018/19. An increase in part-time salaries of \$16,524 is to align with actual expenditures.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2019/20 BUDGET
RISK MANAGEMENT DIVISION
SELF-INSURANCE (S/F 561)**

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2. Salary & Benefit Lapse
 - The proposed salaries and benefits lapse is based on the average turnover ratio and estimated number of vacancies in FY 2019/20.
3. Pension Costs
 - The net increase of \$4,242 in pension costs is mostly due to salary increases and employee turnover.
4. Employer Provided Benefits
 - The net increase of \$18,259 in employer provided benefits is mostly due to an increase for health insurance driven by the changes in health insurance coverage elections and the one new employee.
5. Insurance Costs and Premiums
 - The net increase of \$763,034 in the amount billed out to the participants is mostly due to:
 - an increase of \$688,973 for the workers compensation program driven by changes in the actuarial projections for JFRD's workers compensation and heart and hypertension costs and for JSO's worker's compensation costs;
 - an increase of \$578,164 for the general/auto liability program driven by changes in the actuarial projections; and
 - a decrease of \$500,000 in structured settlement payments related to general/auto liability due to the last payment being made in FY 2018/19.
6. Professional and Contractual Services
 - The decrease of \$138,800 is mostly due to \$220,000 for drive cam licenses being moved out of this subfund to Insured Programs Subfund (S/F 581) and due to \$100,000 being added for a new program (Industrial Performance Program) to enhance employee health, prevent injury and promote safety awareness.
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 \$63,440 is due to a decrease in professional services costs related to the new information system in S/F 581 that are billed out to this subfund via the supervision allocation.
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.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2019/20 BUDGET
RISK MANAGEMENT DIVISION
SELF-INSURANCE (S/F 561)**

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9. Contingency

- The proposed contingency amount is part of the overall pension reform reserves being set aside to offset future salary increases agreed to in the collective bargaining agreements. The reduction is due to using \$49,285 to add one position.

SERVICE LEVEL CHANGES:

None.

EMPLOYEE CAP CHANGES:

The employee cap is increasing from 22 to 23 positions to add a workers' compensation specialist position.

RECOMMENDATION:

None.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2019/20 BUDGET
RISK MANAGEMENT DIVISION
INSURED PROGRAMS (S/F 581)**

PROPOSED BUDGET BOOK - Page # 160-162

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

- This represents the recovery of damages and loss deductible customer billings. The increase of \$336,211 is due to an increase of \$50,000 in recoveries of damages and an increase of \$286,211 in loss deductible revenues. The loss deductible revenue is a direct bill to the Times-Union Center for the Performing Arts due to deductible costs associated with damage from a fire.

2. Charges for Services: Insurance Premiums

- This represents the billings to using agencies. The increase is due to a net \$301,378 increase in the overall costs of the program.

3. Investment Pool / Interest Earnings

- The increase of \$36,724 is to align with the projected available cash and the interest rate projected by the Treasury Division.

4. Transfers from Fund Balance

- This amount of \$273,610 consists of the following:
 - \$213,789 to fund the City's deductible account with \$500,000 (combined with \$286,211 in billings in FY 2019/20) for any FY 2019/20 incidents (it will be billed back to the using agencies in FY 2020/21, if incurred); and
 - \$59,821 to re-establish the pension reform contingency.

EXPENDITURES

1. Salaries

- The increase of \$41,808 is due to an increase in salaries mostly due to the 4.5% increase agreed to in the approved collective bargaining agreements and other salary increases.

2. Salary & Benefit Lapse

- The proposed salaries and benefits lapse of \$3,106 is based on the average turnover ratio and estimated number of vacancies in FY 2019/20.

3. Employer Provided Benefits

- The net decrease of \$6,594 is primarily due to a decrease in group hospitalization insurance due to changes in coverage elections by employees.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2019/20 BUDGET
RISK MANAGEMENT DIVISION
INSURED PROGRAMS (S/F 581)**

PROPOSED BUDGET BOOK - Page # 160-162

4. Internal Service Charges
 - The net increase of \$10,809 is mainly due to an increase of \$6,785 in OGC legal allocation to align with the actual usage and an increase of \$4,843 in computer maintenance and security allocation caused by an increase in IT service desk charges and charges related to Office 365 and 1Cloud.

5. Insurance Costs and Premiums
 - The net increase of \$212,528 is mainly due to the following increases to align with the actual costs of the policies in FY 2018/19:
 - \$100,000 in property liability policy;
 - \$50,000 in recoveries from damages payment;
 - \$40,000 in special events policy;
 - \$19,110 in excess general liability policy;
 - \$18,000 in cyber liability policy.

6. Professional and Contractual Services
 - The decrease of \$139,300 is due to a decrease in costs related to the new information system used by the Risk Management Division. In FY 2018/19, there were costs related to both systems.

7. Other Operating Expenses
 - The net increase of \$215,585 is mainly due to an increase in hardware/software maintenance & licenses due to drive cam licenses cost being moved in from the Self-Insurance subfund (S/F 561) to allow for the costs to be charged directly to using agencies.

8. Supervision Allocation
 - This amount represents the cost of the administrative staff housed in this subfund which are allocated to the Self-Insurance subfund (S/F 561). The decrease of \$63,440 is due to a decrease in professional services costs related to the new information system, which reduced the costs to be billed.

9. 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.

10. Contingency
 - The proposed contingency amount is part of the overall pension reform reserves being set aside to offset salary increases agreed to in the collective bargaining agreements.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2019/20 BUDGET
RISK MANAGEMENT DIVISION
INSURED PROGRAMS (S/F 581)**

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SERVICE LEVEL CHANGES:

None.

EMPLOYEE CAP CHANGES:

None.

RECOMMENDATIONS:

None.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2019/20 BUDGET
FINANCE AND ADMINISTRATION
GENERAL FUND/GENERAL SERVICES DISTRICT (S/F 011)**

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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 is generated by the Equal Business Opportunity Office for training it provides to independent authorities. It has been reclassified to a contribution from local units as it is not considered an internal service.

2. Miscellaneous Revenue:

- This revenue represents payroll fees for child support deductions and union/police charity deductions as well as accounting service charges related to the Tourist Development Council.

3. Contribution From Local Units:

- This revenue is the reclassified revenue generated by the Equal Business Opportunity Office for training provided to independent authorities.

EXPENDITURES:

1. Salaries:

- The increase of \$475,942 is primarily due to the scheduled raises related to the collective bargaining agreements and adding three (3) funded positions.

2. Pension Costs:

- The increase of \$36,742 is mainly due to salary increases and the three additional positions as noted above.

3. Employer Provided Benefits:

- The increase of \$32,900 is mainly due to an increase in health insurance resulting from employee election changes and the three additional funded positions.

4. Internal Service Charges:

- The net increase of \$9,265 is due to increases of:
 - \$58,749 in tech refresh costs resulting from the replacement of 56 computers and 40 monitors.
 - \$11,427 in mailroom costs due to an increase in the City's total mailroom costs to be allocated.

**COUNCIL AUDITOR'S OFFICE
 COMMENTS AND RECOMMENDATIONS
 MAYOR'S PROPOSED FY 2019/20 BUDGET
 FINANCE AND ADMINISTRATION
 GENERAL FUND/GENERAL SERVICES DISTRICT (S/F 011)**

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- The increase is offset by decreases of:
 - \$29,364 in OGC legal costs due to a decrease in usage.
 - \$22,509 in building maintenance costs

- 5. Professional and Contractual Services:
 - The decrease of \$17,375 is primarily due to budgeting only six (6) months usage of a temp agency in the Accounting Division rather than a full year as they are phased out for a new document imaging vendor, which funding is in their ITD internal service charge.

- 6. Other Operating Expenses:
 - This line item is incorrectly shown as \$240,898 in the budget book. This amount is actually \$243,473, which means the increase is actually \$44,544. This increase is mainly due to increases of:
 - \$20,230 in employee training costs related to the new ERP system.
 - \$11,708 in dues, subscriptions, and memberships related to training programs for the new ERP system.
 - \$6,500 in advertising and promotion costs related to promotional items for community events to promote the JSEB program.
 - \$5,321 in hardware/software maintenance and licenses mainly related to new mapping software for the Grant and Contract Compliance division.

- 7. Debt Service:
 - This line item represents the funding for banking service charges of the City.

DIVISIONAL CHANGES:

Expenditures	FY 2018/19 Adopted	FY 2019/20 Proposed	Dollar Change	Percent Change	
Accounting	\$4,314,970	\$4,871,517	\$556,547	12.90%	(A)
Budget Office	1,268,585	1,342,093	73,508	5.79%	(B)
Office of the Director	3,146,004	3,091,701	(54,303)	-1.73%	(C)
Procurement	3,189,032	3,201,185	12,153	0.38%	
Treasury	1,150,134	1,146,347	(3,787)	-0.33%	
Total Expenditures	\$13,068,725	\$13,652,843	\$584,118	4.47%	

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2019/20 BUDGET
FINANCE AND ADMINISTRATION
GENERAL FUND/GENERAL SERVICES DISTRICT (S/F 011)**

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- A) The increase of \$556,547 for Accounting is primarily due to:
- An increase of \$393,824 in salaries mostly resulting from three (3) new funded positions being added in FY 2019/20 and scheduled raises related to approved collective bargaining agreements.
 - An increase of \$67,768 for computer costs related to the lien tracking solution project.
 - An increase of \$66,314 for pension costs due to salary increases and the three new positions as noted above.
 - An increase of \$17,893 in health insurance costs related to the three new funded positions.
 - A decrease of \$16,000 in contractual services due to budgeting only six (6) months usage of a temp agency rather than a full year as they are phased out for a new document imaging vendor.
- B) The increase for the Budget Office is \$73,508, not \$70,993 as noted in the budget book. The increase is primarily due to:
- An increase of \$29,782 in salaries is primarily due to scheduled raises related to approved collective bargaining agreements.
 - An increase of \$19,360 for employee training related to the new ERP system.
 - An increase of \$11,688 in tech refresh costs for 10 computers and six (6) monitors.
 - An increase of \$9,665 in dues, subscriptions, and membership fees mainly due to training programs for the new ERP system.
- C) The decrease of \$54,303 for the Office of the Director is primarily due to a decrease of \$52,860 in OGC legal costs due to a decrease in usage.

CAPITAL OUTLAY CARRYFORWARD:

There is a carryforward of \$19,422 for the Budget Office to purchase all-in-one devices for paperless meetings.

SERVICE LEVEL CHANGES:

None.

EMPLOYEE CAP CHANGES:

The employee cap is increasing by 4 positions, from 105 positions to 109 positions. Three full-time positions are being added to the Accounting Division and one unfunded position is being added to the Budget Office.

RECOMMENDATION:

None.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2019/20 BUDGET
FINANCE AND ADMINISTRATION
DRIVER EDUCATION SAFETY TRUST (S/F 1HA)**

PROPOSED BUDGET BOOK – Page # 127 - 128

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 the Duval County School System. This is an all-year's fund.

REVENUES:

1. Charges for Services:
 - The decrease of \$40,000 is based on recent collections.

EXPENDITURES:

1. Grants, Aids & Contributions:
 - The amount of \$260,000 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.

COMMENT:

As noted during Meeting #1, the Duval County School Board is currently on the Chapter 118 non-compliance list.

RECOMMENDATION:

We recommend that these funds be placed into a designated contingency within the Driver Education Safety Trust until the Duval County School Board is able to resolve the issue causing them to be on the Chapter 118 non-compliance list.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2019/20 BUDGET
FINANCE AND ADMINISTRATION
MOTOR VEHICLE INSPECTION (S/F 431)**

PROPOSED BUDGET BOOK - Page #131-132

BACKGROUND:

The Fleet Management Division manages inspection stations for school buses, city vehicles, and vehicles for hire. Ordinance 2019-183-E eliminated revenue related to vehicles for hire.

REVENUES:

1. Charges For Services:
 - The decrease of \$39,900 is due to the elimination of Vehicles for Hire fees pursuant to Ordinance 2019-183-E.
2. Transfers from Fund Balance:
 - The transfer of \$41,342 from fund balance is to balance the budget in this subfund.

EXPENDITURES:

1. Salaries:
 - The decrease of \$27,545 is due to the elimination of one full-time position, partially offset by the 4.5% pay increase due to the collective bargaining agreements.
2. Employer Provided Benefits:
 - The decrease of \$17,889 is due to the elimination of one full-time position.
3. Internal Service Charges
 - The increase of \$7,151 is primarily due to an increase of \$4,823 in tech refresh allocation for an anticipated replacement of four computers in FY 2019/20 and an increase of \$2,526 in the computer system maintenance and security allocation caused by an increase in IT charges related to 1Cloud and the Service Desk.
4. Other Operating Expenses:
 - The net decrease of \$3,800 is primarily driven by the elimination of costs related to providing background checks due to Ordinance 2019-183-E.
5. Indirect Costs:
 - The \$61,004 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.
6. Contingencies:
 - The elimination of \$33,349 is due to the pension reform reserves being utilized to balance the budget.

EMPLOYEE CAP CHANGES:

One Motor Vehicle Inspector position is proposed to be eliminated in FY 2019/20.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2019/20 BUDGET
FINANCE AND ADMINISTRATION
MOTOR VEHICLE INSPECTION (S/F 431)**

PROPOSED BUDGET BOOK - Page #131-132

SERVICE LEVEL CHANGES:

None.

RECOMMENDATION:

None.