

**OFFICE OF THE CITY COUNCIL**

**RESEARCH DIVISION**

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**FINANCE COMMITTEE BUDGET HEARING #5 MINUTES**

**Remote meeting via teleconference**

 **August 19, 2020**

**9:00 a.m.**

**Location:** Remote meeting via teleconference

**In attendance:** Committee members Matt Carlucci (Chair), LeAnna Cumber, Randy DeFoor, Joyce Morgan, Brenda Priestly Jackson, Ron Salem

**Excused**: Scott Wilson (early departure)

**Also**: Council Members Rory Diamond, Garrett Dennis; Kim Taylor, Brian Parks, Heather Reber – Council Auditor’s Office; Jeff Clements and Yvonne Mitchell – Council Research Division; Joey Greive, Angela Moyer and Teresa Eichner – Finance and Administration Department; Brian Hughes and Stephanie Burch – Mayor’s Office; John Pappas – Public Works Department; Kurtis Wilson – JEA; Keith Powers – Fire and Rescue Department; Daryl Joseph – Parks, Recreation and Community Services Department

**Meeting Convened**: 9:02 a.m.

Debt Management

Chief Administrative Officer Brian Hughes said that the City has been managing its debt wisely and the results are being shown in the positive reaction of the bond market. Chief Financial Officer Joey Greive announced that $240 million in debt was issued yesterday and was well received in the market, rated AA by two major ratings agencies, at a 2.2% interest rate. About 40% of the issue was to refund previous debt. He described the City’s annual debt affordability report and the difference between how much the City “could” borrow versus how much it “should” prudently borrow. He noted that all the City’s borrowing and debt ratios are well within the parameters of the adopted minimums and maximums in the debt affordability plan. Debt is being paid down steadily over the past several years.

City Treasurer Randall Barnes reviewed the seven debt ratios included in the debt affordability study – overall debt as a percentage of full market value of property, General Fund debt as a percentage of General Fund revenues, General Fund emergency and operating reserves as a percentage of revenues, the ten-year principal pay-down ratio on General Fund and all City debt, and total debt per capita. In response to a question from Council Member Salem, Mr. Barnes said that the debt affordability ratios were set by the City Council in 2015. In response to a question from Council Member DeFoor, he said that the City has approximately $1.1 billion in General Fund debt, $2.1 billion with BJP included. The City is rated AA with S&P and Fitch, and is on review for an upgrade with Moody’s. The ratings agencies praise the City’s growing reserves and debt pay-down over the past few years, but still point to a high pension liability and relatively high overall debt burden as negatives. Jacksonville has a growing population and a good economy, and is not as tourism-dependent as much of the rest of Florida. The raters are pleased to see that Jacksonville is taking steps to address storm resiliency issues. Council Member DeFoor asked if the recent settlement of the JEA/Plant Vogtle lawsuit has had any effect on bond ratings; Mr. Barnes said that it has not yet, but will be factored into Moody’s upgrade review and may have a positive effect when that is completed. The market reacted very positively to this week’s bond placement, so that likely helped somewhat. In response to another question from Ms. DeFoor, Mr. Barnes said that the debt affordability study and ratios don’t take into account the future revenues of the sales tax for pension liability. Ms. DeFoor asked that the millage rate comparison table of the 10 largest cities in Florida be modified to include a total debt per city/county measure.

Paul Barrett, the senior manager for debt in the Finance Department, noted that they are paying off variable rate debt first while fixed rate debt is available at historically low rates. He reviewed the debt pay-down projection over the next 5 years, which includes pay-down of $473 million in general debt and $403 million in Better Jacksonville Plan debt over that period ($876 million total). He also reviewed the new debt accrual over the same period based on a combination of new CIP and other debt issuance (i.e. JPA harbor dredging borrowing) and the pay-off of existing debt. He described a modeling exercise the department ran on future debt ratios based on 50% more and 50% less borrowing than currently projected and noted that any of the scenarios keep the ratios within the target ranges. In response to a question from Council Member Salem about why the budget includes some pay-go spending when that might have been used to leverage even greater project capability by paying for borrowing in an era of historically low interest rates, Mr. Greive said that the department strives for a balance and prefers to keep some pay-go programmed every year as a general rule because interest rates rise and fall. Council Member DeFoor said that the City’s capital needs are so great that consideration should be given to maximizing what can be done with borrowing in this low interest rate environment.

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

Capital Improvement Program

Heather Reber of the Council Auditor’s Office reviewed the overall capital improvement program and more details on the first year of the 5-year CIP. Teresa Eichner of the Budget Office explained the mechanism for developing the CIP and how projects are rolled over from year to year and planned for years beyond the fifth year of the current program. In response to a question from Council Member DeFoor about how emergency safety and liability issues that may arise during the year are dealt with, Ms. Eichner said that there are several general countywide accounts from which funding can be allocated to specific needs as they may arise. Brian Hughes said that the Council routinely moves funding during the year to meet emergency needs as they arise and amends the CIP as necessary. The City has built up its reserves and has capacity to meet emergencies as they may arise. Ms. Eichner described her annual process for scouring revenue sources (i.e. fair share sector funds, mobility fees, trust funds, etc.) to identify funds that can be used on a pay-go basis to meet project needs without tapping the General Fund or creating a CIP project. Council Member Morgan asked how projects carry-over from year to year and how budgets are supplemented if the project exceeds the original cost estimate. Ms. Eichner explained that unexpended funds for completed projects are swept back to their account of origin.

Brian Hughes said that the administration will be requesting a CIP amendment on Phase 2 of the Rogero Road Utility Undergrounding project to move the funds from the beyond 5 years category to the second year of the CIP to correct an error in the project listing.

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**Motion** (Salem): amend the CIP to move the Rogero Road Utility Undergrounding project funding ($877,000) from beyond 5 years to FY21-22 – **approved 5-0**.

Council Member Morgan thanked at-large Council Member Salem for his assistance in tracking this project, noticing the oversight and proposing the amendment. Deputy General Counsel Peggy Sidman asked if the changes to be made to the CIP will be accompanied by amendments to the budget ordinance as necessary; Ms. Reber confirmed that they would.

Council Member DeFoor asked if fair share funds could be used for sidewalk repairs or maintenance. Ms. Eichner said they must be used for increasing capacity, so cannot be used for repairs or maintenance. Council Member Morgan asked about the plans for and cost of mid-block pedestrian crossings. Public Works Director John Pappas said that the average cost of those crossings is $20,000 to $25,000. Ms. Morgan asked how potential projects are chosen and Mr. Pappas described the evaluation and ranking process.

Council Member Morgan expressed concern about Auditor’s recommendation #12 below regarding authorization to the Council auditor to make technical changes to project names, account numbers, etc. and how council members would be made aware of those changes. Ms. Reber agreed to make a listing of all technical corrections for presentation to the committee at the end of the process. Budget Officer Angela Moyer said that the CIP would be revised with all of the technical cleanups before the final vote is taken.

**The meeting was in recess from 11:10 to 11:20 a.m. due to problem with the Zoom meeting platform.**

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**Motion**: approve the Council Auditor’s request #1 for authorization to 1 make all corrections necessary to place all projects in the CIP within the proper account, not impacting project funding -

**Motion**: approve the Auditor’s recommendation #2 to remove the grant amounts shown on the 1-year schedule from the projects below. This will change the totals shown on the 1-year schedule as these funds are not appropriated in the FY 2020/21 budget, but were previously appropriated by Ordinance 2020-246-E. This will not change the total project funding.

|  |  |  |  |
| --- | --- | --- | --- |
| **Project**  | **Total on 1-Year Schedule**  | **Revised Total on 1-Year Schedule**  | **Difference**  |
| ADA Compliance - Curb Ramps and Sidewalks  | $ 10,318,400  | $ 9,318,400  | $ (1,000,000)  |
| Roadway Resurfacing  | $ 12,000,000  | $ 11,000,000  | $ (1,000,000)  |

**Motion**: approve Auditor’s recommendation #3 to correct the 1-year schedule and project detail sheets, as necessary, to correct the funding sources for the following projects. This does not impact project budgets.

|  |  |
| --- | --- |
| **Project**  | **Change**  |
| Fire Station Capital Maintenance - Misc. Improvements  | Move $91,759 from Transfer Between Projects to Interest Earnings Revenue Appropriation  |
| Arlington Road Bicycle Improvements  | Move $18,540 from Paygo to Interest Earnings Revenue Appropriation  |
| College Street Bicycle Improvements  | Move $41,351 from Paygo to Interest Earnings Revenue Appropriation  |
| 4th Avenue Sidewalk  | Move $1,745 from Paygo to Interest Earnings Revenue Appropriation  |
| McCoy's Creek New Pedestrian Bridge  | Move $39,530 from Debt Management Fund to Paygo  |
| Landscape Renovations at Jax Public Library  | Move $201,000 from Paygo to Grant/Trust Fund  |
| Murray Hill Playground  | Move $38,664 from Paygo and $866 from Interest Earnings Revenue Appropriation to Debt Management Fund  |
| Adolph Wurn Pool  | Move $1,977 from Paygo to Interest Earnings Revenue Appropriation  |
| Bruce Park  | Move $153,490 from Paygo to Grant/Trust Fund  |

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**Motion**: approve Auditor’s recommendation #4 to change funding for the Murray Hill Playground project from Planning District 4 Open Space Fees to Debt Management Fund in the amount of $39,530. In order to keep the Debt Management Fund at the same level, the administration has requested that the McCoy’s Creek New Pedestrian Bridge be reduced by $39,350 and use Fair Share Sector 1-1 funds. This does not change the amounts for the two projects, just the funding sources.

**Motion**: approve Auditor’s recommendation # 5to add project Sidewalk Construction – New in the amount $68,368 to the budget. This was included in the CIP but not included in the proposed budget. Funding that is being used is a transfer from another project as was shown on page 19.

**Motion**: approve Auditor’s recommendation #6 to correct the project name of Bruce Park on the 1-year schedule, 5-year schedule and project information sheet to Bruce Park Pavilion – Restroom Upgrades.

**Motion**: approve Auditor’s recommendation #7 to increase the AIPP allocation by $1,013. This is due to the AIPP allocation calculation for the Academy Firing Range Storage Lease Building not including design and engineering costs. This will increase the Transfer-in from the General Fund/GSD and have a negative impact to Special Council Contingency of $1,013.

**Motion**: approve Auditor’s recommendation #8 to correctly budget for the interest earnings from Art in Public Places 111.160(b) Trust Fund in the Art in Public Places fund. The interest earnings should be placed in the fund for maintenance of art and not to purchase art. This will have no impact to the Special Council Contingency.

Motion: approve Auditor’s recommendation #9 to increase the Art in Public Places 111.160(b) Trust Fund (Fund 05102) appropriation amount by $15,000 to $42,000 and transferring this amount to the Art in Public Places Trust Fund (Fund 11532) for maintenance of art. This is to account for interest earnings as of June 30, 2020. This will have no impact to the Special Council Contingency.

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Motion: approve Auditor’s recommendation #10 to correct the project information sheets in the CIP book shown below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Area of CIP Book or Project Name in CIP**  | **CIP Book Page**  | **PDF Page**  | **Recommended Change**  |
| **Tab I**  |
| Proposed Five-Year CIP  | 8  | 10  | Correct the amount of the CIP for the next five years to $1,675,887,417  |
| Funding  | 9  | 11  | Correct the amount for debt to be $194.6 million and $44.2 million for available cash/grants  |
| Recurring Capital Maintenance Needs Table  | 13  | 15  | Correct bill number to 2015-428-E  |
| **Tab II**  |
| Fire Station #75  | 30  | 32  | Include operating budget impact  |
| Fire Station #67 (new)  | 33  | 35  | Correct AIPP allocation amount  |
| Fire Station #36 Replacement  | 34  | 36  | Correct AIPP allocation amount and include operating budget impact  |
| Fire Station #25 Replacement  | 35  | 37  | Correct AIPP allocation amount  |
| Fire Station #17 Replacement  | 36  | 38  | Correct AIPP allocation amount  |
| Fire Station #45 Relocation  | 37  | 39  | Correct AIPP allocation amount  |
| Fire Station #12 Replacement  | 38  | 40  | Correct AIPP allocation amount  |
| Marine Fire Station (new)  | 39  | 41  | Correct AIPP allocation amount  |
| Baisden Road Bicycle Boulevard  | 43  | 45  | Correct scrivener error in scope  |
| Emerald Trail - S Line to Stonewall Street Improvements  | 73  | 75  | Correct project number  |
| Jork Road Bridge  | 81  | 83  | Correct project number  |
| Northbank Bulkhead  | 99  | 101  | Correct project number  |
| Medical Examiner Facility  | 164  | 166  | Include AIPP allocation amounts for FY 21/22 and FY 22/23  |
| Renovation of Beaches Branch Library  | 184  | 186  | Correct AIPP allocation amount  |
| Bill Brinton Murray Hill Branch Replacement  | 185  | 187  | Include AIPP allocation language  |
| Brown Eastside Branch Replacement  | 186  | 188  | Include AIPP allocation language  |
| Dallas Graham Branch Replacement  | 187  | 189  | Include AIPP allocation language and update scope  |
| Westbrook Branch Replacement  | 188  | 190  | Include AIPP allocation language  |
| Area of CIP Book or Project Name in CIP  | CIP Book Page  | PDF Page  | Recommended Change  |
| Police Memorial Building  | 189  | 191  | Correct AIPP allocation amount  |
| 3,000 Bed Pretrial Detention Facility (replace existing facility)  | 190  | 192  | Correct AIPP allocation amount  |
| 500 Bed Detention Facility/Short Term Holding  | 191  | 193  | Correct scrivener error in scope and correct AIPP allocation amount  |
| Homeland Security Narcotics & Vice Building  | 192  | 194  | Correct AIPP allocation amount  |
| Academy Firing Range storage lease building  | 193  | 195  | Correct AIPP allocation amount and scrivener error in justification  |
| Adolph Wurn Pool  | 210  | 212  | Correct scrivener error in scope  |
| Bruce Park  | 212  | 214  | Revenue and expenditures do not balance and correct project name  |
| JP Small Park  | 260  | 262  | Correct project name  |
| Rail Trail Buffer  | 268  | 270  | Correct project name  |
| **Tab III**  |
| Drainage System Rehabilitation - Capital Improvements  | 281  | 283  | Revenues and expenditures do not balance  |
| Drainage System Rehabilitation - Capital Maintenance  | 289  | 291  | Revenues and expenditures do not balance  |
| Stormwater Pump Stations - Capital Maintenance  | 290  | 292  | Revenues and expenditures do not balance  |
| Stormwater Project Development and Feasibility Studies  | 291  | 293  | Revenues and expenditures do not balance  |

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**Motion**: approve Auditor’s recommendation #11 that the Florida Inland Navigation District (FIND) projects, approved by Ordinance 2020-69-E, be added to the 5-year schedule

**Motion**: approve Auditor’s recommendation #12 authorizing the ability to adjust project names, numbers, and prior years funding amounts for schedule presentation purposes as necessary for continuity –

**A motion to approve all 11 Council Auditor recommendations was approved 5-0.**

Kim Taylor reported that the administration has requested that the Public Works Department budget be taken up last on tomorrow’s agenda given the potential for an extended discussion of the solid waste user fee. In response to a question from Council Member Salem, Peggy Sidman said that she had just emailed out to the committee members some information on the timing of the process to increase the solid waste user fee, including holding required public hearings and sending out notices to all property owners. The fee cannot be implemented for FY20-21 and could only be effective for FY21-22 given the timing of the process required by Florida Statute for levying non-ad valorem assessments. Council Member DeFoor asked that the committee be given information tomorrow on the full cost of solid waste collection and disposal and the amount currently covered by the solid waste user fee and also about the amount and use of revenue from landfill tipping fees. Council Member Morgan said that a viable solution to the City’s solid waste collection problems needs to be identified and implemented, including raising the solid waste fee if that’s what’s needed to make the system work properly. Brian Hughes said that unfortunately the solid waste hauler serving Ms. Morgan’s district is the most problematic of the companies serving the city. They are under a “cure” plan and the City has indicated its dissatisfaction with their performance under that plan. Additional corrective action may be coming. Mr. Hughes urged that the fee study waiver continue to be included in this year’s budget while discussion over the future of the solid waste fee takes place.

**Meeting adjourned:** 11:49 a.m.

Minutes: Jeff Clements, Council Research Division

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8.19.20 Posted 2:00 p.m.