

**OFFICE OF THE CITY COUNCIL**

**RESEARCH DIVISION**

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**FINANCE COMMITTEE BUDGET HEARING #7 MINUTES**

**Remote meeting via teleconference**

**August 21, 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, Scott Wilson

**Also**: Council Members Terrance Freeman, Ju’Coby Pittman; Kim Taylor, Brian Parks – Council Auditor’s Office; Jeff Clements, Yvonne Mitchell – Council Research Division; Cheryl Brown – Council Secretary/Director; Peggy Sidman and Paige Johnston – Office of General Counsel. Joey Greive and Angela Moyer – Finance and Administration Department; Brian Hughes, Stephanie Burch – Mayor’s Office; Diane Moser – Employee Services Department; Kirk Wendland – Office of Economic Development; Greg Pease – Procurement Division; Chris Tongol – Fleet Management Division; Randall Barnes – Treasury Division; Twayne Duckworth – Risk Management Division; Ken Lathrop – Information Technology Division

**Meeting Convened**: 9:03 a.m.

Chairman Carlucci expressed thanks to the Council and administration staff for their hard work in facilitating the budget hearing process.

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

Police and Fire Pension Fund Administration

Council Auditor Kim Taylor reviewed the proposed budget. She noted that the PFPF is actuarially funded at 48.23% with $4 billion in accrued liabilities and current asset values of $1.95 billion. This does not take into account the $900 million in net present value of future sales tax revenues for pension liability which would bring the funded percentage up to 70.5%. In response to a question from Council Member Salem, Tim Johnson, Executive Director of the PFPF, said that 80% funding is the industry standard for actuarial soundness. He said it will take about two decades for the PFPF to reach the 80% level, and they track that projected date annually. In response to a question from Council Member Morgan, Mr. Johnson said that the sales surtax will begin in 2030 and that revenue will be paying for the benefits of retirees who joined the plan before its closure to new members in 2017, will be retiring in the next 2 or 3 decades, and will potentially live for 2 or 3 decades beyond that. Mr. Johnson described the fund’s use of outside counsel. Council Member DeFoor asked for a clarification of the $900 million amount for the net present value of the future sales tax. Mr. Johnson cautioned that the returns on invested assets will likely not be as robust in the future as they have been in the past few years of the stock market run-up, but they are investing for long-term returns. A net return of 6% per year or greater (averaged over 3 years) is required or the collective bargaining agreements can be reopened. CFO Joey Greive noted that the benefit the City is seeing now from pension reform is that the employer contribution is considerably lower than it would have been without that reform program.

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**Motion**: approve Council Auditor’s recommendation to remove and replace Schedule AB and AC with REVISED Schedule AB and REVISED Schedule AC in order to accomplish the following:

1. increasing “Personnel” by $12,374 on Schedule AC in order to increase the General Employee’s 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, and correct the Medicare amount. This will be offset by increasing “Trust Fund Revenues” by $12,374 on REVISED Schedule AB in order to balance the budget.
2. increasing “Operating Expenses” by $66,023 on Schedule AC in order to accurately reflect the internal service allocations as determined by the budget office. This will be offset by increasing the “Trust Fund Revenues” by $66,023 on REVISED Schedule AB in order to balance the budget.
3. removing the “Adopted FY 20” 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 Schedule AB and AC based on all of these recommendations.

(These adjustments will have no impact on Special Council Contingency)

**The motion was approved 7-0.**

General Employees Pension Fund

Ms. Taylor reviewed the proposed budget. The GEPP has $3.3 billion in accrued liabilities and $2 billion in invested assets for a funding ratio of 61.1%. Including the $537 million in net present value of future sales tax revenues brings the funding ratio up to 77.46%.

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**Motion**: approve Auditor’s recommendation as follows:

Revise budget ordinance 2020-504 Section 9.4(i) to remove the statement “, with an additional 0.3% of payroll for Disability” as the amounts stated already include contributions for Disability. See language below:

*for the 1937 City Employees Pension Fund, in accordance with the 10/1/19 valuation, the amounts shall be as follows, ~~with an additional 0.3% of payroll for Disability~~:*

*a. From the City - $35,310,066*

*b. From JEA - $40,401,099*

*c. From JHA - $1,019,584*

*d. From NFTPO - $102,228*

Further, we recommend that the disability contribution be effectively reduced by an increase in the salary and benefits lapse within the General Fund/GSD by $158,193 to account for the fact that the additional 0.3% was included in the budget. (This will have a positive impact on Special Council Contingency of $158,19)

**The motion as approved 7-0.**

In response to a question from Council Member Salem about who manages the GEPP funds, Mr. Greive said that a 7-member pension advisory board made up of City employees and appointed citizens provides oversight of investments. About two dozen money managers are hired to run different classes of investments and an investment consultant oversees their selection and evaluation.

Correctional Officers Pension Fund

Ms. Taylor reviewed the proposed budget. The COPF has $434 million in future liabilities and $220 million in invested assets for a funding ratio of 50.75%. Including the net present value of future pension sales tax revenue brings the funding ratio to 72.84%.

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**Motion**: approve Auditor’s recommendation as follows:

Revise budget ordinance 2020-504 Section 9.4(ii) to remove the statement “with an additional 0.3% of payroll for Disability” as the amounts stated already include contributions for Disability. See language below:

*(ii) The employer contribution to the Corrections Officers’ Retirement Plan is hereby set at $15,044,530, in accordance with the 10/1/19 valuation ~~with an additional 0.3% of payroll for Disability~~.*

**The motion was approved 7-0.**

Risk Management

Ms. Taylor reviewed the proposed budget and noted that the Jacksonville Aviation Authority is in the process of withdrawing from the City’s self-insurance program (pending Ordinance 2020-58).

The Budget Office recommends including $264,437 in revenues and expenses to reflect the JAA’s continued participation in the plan until the ordinance approving their separation is approved.

Council Member DeFoor questioned why the City is holding the liability for worker’s compensation costs for the police and fire employees after they chose to pull out of the City’s health insurance program. Joey Greive said that it was a collectively bargained matter between the City and the unions and the City is required to provide worker’s comp insurance. Twayne Duckworth, the City’s Risk manager, explained the state law that provides a presumption that heart- and hypertension-related medical conditions among police officers and firefighters are job-related, which is rebuttable but very difficult to overcome. The treatments for heart disease and hypertension are extremely expensive and the pharmaceutical companies keep developing slightly different drugs that become the treatment norm so that less expensive generic drugs are never an option. Council Member Salem cautioned that allowing agencies to withdraw from the self-insurance program may increase costs on those agencies remaining in the program. Mr. Greive congratulated Mr. Duckworth on his success in settling worker’s compensation claims to the City’s benefit. Council Member Cumber said that the cost of the City’s insurance program impacts on the Aviation Authority’s overall costs and therefore its ability to be attractive to airlines to stay in or come to Jacksonville.

**Motion** (DeFoor): approve the administration’s recommendation to include $264,437 in revenues and expenses in the fund to reflect the JAA’s continued participation in the plan until the ordinance approving their separation is approved – **approved 7-**0.

Council Member Salem asked for an explanation of the loss deductible customer billings and who pays those deductibles. Mr. Duckworth said that this is a fund that pays the deductibles on behalf of departments that incur losses, after which the department reimburses the fund in the next budget year. Budget Officer Angela Moyer explained the netting process that takes place with interest earnings on the account.

Finance and Administration Department

Council Member Morgan asked for elaboration on the function of the Equal Business Opportunity Office and Mr. Greive said that the Procurement Division is very active in training for and promoting the Jacksonville Small and Emerging Business (JSEB) program.

**The meeting was in recess from 10:32 to 10:48 a.m.**

Budget wrap-up

Waiver of annual fee review requirement

Kim Taylor advocated for removing the waiver and having the fee reviews take place to see how well all the fees are recovering their costs presently. Peggy Sidman noted that if a fee review is conducted and the solid waste or stormwater management special assessment fees are required to be increased pursuant to the Ordinance Code, then the special assessment notice and hearing process discussed yesterday will have to take place to implement the increase.

**Motion** (DeFoor): amend the budget ordinance with regard to waiver of the required annual fee review to provide that the fee review of the solid waste fee will not automatically trigger an increase in the fee for FY20-21 as otherwise required by the Ordinance Code in Section 106.112 -

Council Member Salem asked about how many fees would be required to be reviewed if the blanket fee review waiver is not conducted and how long it would take to review all the fees. Mr. Greive said that the requirement covers hundreds of fees and that a complete fee review could probably be done by the end of the calendar year. He and Brian Hughes noted that not all fees are intended to cover the full cost of the function for which they are charged because they are not all charged for enterprise fund functions and there may be unexpected implications from eliminating the waiver. Council Member Cumber felt that fee increases are a policy decision and should be made by the Council and not triggered automatically by an administrative review. She recommended leaving the blanket waiver in place and directing the administration to study and report on specific fees as directed by the Council. Council Member DeFoor said her intent is to have the fee reviews done without triggering the automatic fee increase required by the Code. Council Member Morgan felt that 5 years since the last full fee review is long enough and a new fee review is warranted, without the automatic fee increase being triggered. Peggy Sidman suggested waiving the last sentence in Sec. 106.112 regarding the requirement that the CFO file a revised fee schedule after the fee review that would become automatically effective unless rescinded by the City Council. Mr. Hughes said that the administration is ready and willing to do immediate fee reviews on all enterprise fund functions (solid waste, stormwater, building inspection fee, etc.) and then to do reviews on further fees as directed by the Council. Council Member Salem requested the inclusion of time frames on the enterprise fund fee reviews. Mr. Greive said that his department would commit to the review of primary enterprise fund fees by the end of October and then move on to other fees for completion by December 31st.

**Motion** (DeFoor): amend the budget ordinance regarding the required annual fee review to waive the last sentence in Sec. 106.112 regarding the requirement that the CFO file a revised fee schedule after the fee review that would become automatically effective unless rescinded by City Council, with the administration to complete the review of enterprise fund fees by October 1st and the remainder of the fees by December 31st – **approved 7-0**.

Council Member Salem said that he has requested the Office of General Counsel to begin preparing a resolution of intent on changing the solid waste user fee. Chairman Carlucci said that he had made the same request.

Court technology fund memorandum of agreement

Ms. Taylor reported that the Court Administrator, Public Defender and State Attorney have come to an agreement over the use of the court technology fund for expenditure of $1,721,323. Angela Moyer said that she worked with the three parties and agreement was reached to do half of the Public Defender’s computer refresh with current year funds and half with FY20-21 funds.

**Motion** (DeFoor): approve the budget for the court technology fund as mutually agreed by the Court Administrator, Public Defender and State Attorney in their memorandum of agreement – **approved 7-0**.

City Council

Ms. Taylor said that the Council Secretary requests that an unfunded position in the Tourist Development Council be transferred to Council Staff Services. Council Secretary Cheryl Brown relayed a request from Council President Tommy Hazouri and Acting President Sam Newby to fund membership in the Florida League of Cities at a cost of $55,178.

**Motion** (DeFoor): appropriate $55,178 from Special Council Contingency to pay for membership in the Florida League of Cities

Council Member Morgan advocated for the restoration of funding for membership in the League of Cities because of the benefits it offers. Council Member Cumber requested a list of all the member cities in the Florida League of Cities and asked for an explanation of how voting works in League matters, particularly whether the large cities have weighted voting rights. Ms. Morgan said that the way to have influence in the body is to choose council member representatives who will serve a number of consecutive years since many cities do not have term limits and the representatives of those cities rise to leadership positions in the organization over time. Council Member Salem was in favor of restoring the lapsed membership only if there are council members who are interested and committed to attending the meetings on a regular basis. Council Member Freeman said the League offers great opportunities for networking and information, and felt that the City dropped its membership last year because several of the policy stands of the League did not agree with Jacksonville’s interests. Council Member Pittman said her participation in the Florida Association of Counties is very valuable and other counties look to Jacksonville for the urban county perspective and for innovative ideas. She agreed that participation in the meetings and conferences is very important so travel funding is needed.

**The DeFoor motion was approved 7-0.**

**Motion** (Morgan): move the unfunded position in the Tourist Development Council budget to City Council Staff Services – **approved 7-0**.

Special council contingency stands at $185,089 to the positive. Chairman Carlucci recommended allocating those funds to a contingency fund designated for the Special Committee on Social Justice and Community Investment to pursue its priorities.

**Motion** (DeFoor): allocate the remaining $185,089 in the special council contingency fund to a designated contingency account for the Special Committee on Social Justice and Community Investment to recommend uses -

Council Member Cumber asked how the funds would be allocated and spent and the role of the full Council in approving expenditures. Peggy Sidman described the creation of a designated council contingency fund for the Special Committee which would propose expenditures by introducing an ordinance appropriating the funds to a particular purpose for the usual Council approval process. Council Member Priestly Jackson said that the 7 Special Committee members have submitted lists of items they believe are high priorities for remedying long-standing injustices and needs in the community that will serve as the basis for developing spending priorities.

**The DeFoor motion was approved 7-0.**

Council Member Pittman said that the Special Committee on Small and Emerging Businesses (JSEB) will be starting its work next week. She noted that the Ordinance Code requirement for annual funding for the JSEB program has been waived in the budget each year and she will be seeking the restoration of those funds in the future. Ms. Pittman recalled yesterday’s discussion of the Cal Ripken Foundation’s interest in building an inner-city baseball academy at the Clanzel Brown Park and asked for consideration for $200,000 in funding to match the foundation’s $1.3 million investment. Chairman Carlucci said that funding availability will depend on how revenues develop in the next fiscal year.

JIA Community Redevelopment Area

Kim Taylor said that $2,639,079 is projected to be available at the end of the fiscal year in the JIA CRA account which will be swept into General Fund balance if unspent.

**Motion** (Cumber): appropriate $250,000 from FY19-20 JIA CRA fund balance to the inner-city baseball academy project and 100 additional participant slots for the Boys and Girls Club at the adjacent community center -

Chairman Carlucci expressed reluctance to shift the funding to this project in the absence of Council Member Gaffney, who expressed the desire that the JIA CRA lapsing funds be allocated to the Special Committee on Social Justice and Community Investment. Several committee members suggested that Ms. Pittman make her funding request to the Special Committee for funding to support this project.

**Motion** (Cumber): earmark the $185,089 previously allocated to a designated council contingency for the Special Committee on Social Justice and Community Investment for the inner city baseball academy and Boys and Girls Club project and request the special committee to find the additional funding needed to reach the $250,000 commitment needed -

Peggy Sidman noted that a council member works for the Boys and Girls Club and, if the budget ordinance directs funding to that organization, that council member may be prohibited from voting on the budget bill. Chairman Carlucci urged that allocation decisions be made by the Social Justice Committee after proper consideration and not piecemealed in the budget ordinance. Council Member Salem said he is unclear if the $250,000 is a one-time allocation or a continuing commitment. Council Member Pittman said she is looking for any source for the $250,000 needed to leverage the $1.3 million foundation grant.

**Council Member Cumber withdrew her motion.**

**Motion** (DeFoor): appropriate the $2,639,079 projected to be available at the end of the fiscal year in the JIA CRA account to a designated contingency account “below the line” for the Special Committee on Social Justice and Community Investment – **approved 7-0**.

Military Affairs

Kim Taylor reported that the administration is requesting to add three unfunded positions to the Military Affairs and Veterans Division. These positions relate to the Homeless Veteran’s Reintegration Program grant that the City did not receive in the current year (after receiving it in 13 of the previous 15 years). These positions will be funded for the period October 1, 2020 through June 30, 2021 by transferring funding included within the budget to keep the program going while the grant is not in place. The City anticipates the grant will resume July 1, 2021

**Motion** (Morgan): add 3 unfunded positions to the Military and Veterans Affairs Division complement for the Homeless Veteran’s Reintegration Program – **approved 7-0**.

Mental Health Resource Center

Joey Greive asked that $882,115 of the budget for the Mental Health Resource Center be authorized to be used for a state matching program to leverage additional dollars.

**Motion** (Salem): authorize $882,115 of the budget for the Mental Health Resource Center to be used for a state matching program - **approved 7-0**.

Peggy Sidman reviewed the timeline for the remainder of the budget process. A budget substitute for 2020-504 will be tentatively approved at the Finance Committee meeting on September 1st and referred to City Council to be laid on the table for 2 weeks for review before final approval on September 22nd.

Chairman Carlucci congratulated Ms. Taylor on completing her first budget hearing process as Council Auditor in fine fashion.

**Meeting adjourned:** 12:55 p.m.

Minutes: Jeff Clements, Council Research Division

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8.21.20 Posted 3:30 p.m.