

**OFFICE OF THE CITY COUNCIL**

**RESEARCH DIVISION**

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**FINANCE COMMITTEE HYBRID IN-PERSON/VIRTUAL**

**WORKSHOP ON LOCAL OPTION GAS TAX**

**MINUTES**

**April 21, 2021**

**8:30 a.m.**

**Location:** City Council Chamber, 1st floor, City Hall – St. James Building, 117 West Duval Street

**In attendance:** Committee Members Matt Carlucci (Chair), Randy DeFoor, Garrett Dennis, Ron Salem, Brenda Priestly Jackson, LeAnna Cumber, Joyce Morgan (via Zoom)

**Also in attendance**: Council Members Tommy Hazouri, Danny Becton (via Zoom), Randy White, Sam Newby, Al Ferraro, Michael Boylan, Kevin Carrico, Ju’Coby Pittman (via Zoom), Terrance Freeman (via Zoom), Reggie Gaffney (arr. 8:47); Kim Taylor, Phillip Peterson, Brian Parks – Council Auditor’s Office; Peggy Sidman and Paige Johnston – Office of General Counsel; Sandra Nester – Legislative Services Division; Melanie Wilkes, Steve Cassada, Eric Grantham – Council Support Services; John Pappas – Public Works Department; Jordan Elsbury, Rachel Zimmer, Leeann Krieg – Mayor’s Office

**Meeting Convened**: 8:34 a.m.

Chairman Carlucci convened the meeting and Council Member DeFoor gave an invocation and led the Pledge of Allegiance.

Council President Hazouri welcomed everyone to the meeting to discuss this important issue. He announced that the Mayor will have 5 town hall meetings across the city on this bill, one in each of the council at-large residency areas, and individual council members may hold their own town halls if they desire. He announced that as a companion to this bill he has filed an ordinance for introduction appropriating $100M for septic tank remediation projects over the next 2 years ($50M per year) out of the City’s Capital Improvement Program to meet the City’s long-overdue commitment to meeting the needs of neighborhoods with failing septic tanks. He invited any interested council member to sign on as a co-sponsor. Mr. Hazouri said he will hold two Council Committee of the Whole meetings on these bills on April 29th at 9:00 a.m. and May 12th at 2:00 p.m. He hopes the Council will be ready by the end of the May 12th Committee of the Whole to adjourn and immediately re-convene in a special council meeting to act on the bills.

The meeting attendees introduced themselves for the record.

City Administration Presentation

Mayor’s Chief of Staff Jordan Elsbury said that during the middle of the COVID pandemic the Mayor convened a task force of local leaders to explore options for facilitating Jacksonville’s economic recovery from the effects of the pandemic. JTA and the City explored capital project needs and funding options and decided to propose adding 6 cents to the local option gas tax, extending the current local option tax to its full permitted extent (from 2036 to 2046) and implementing a 50/50 split of the revenues between the City and JTA. In late January or early February the administration started holding individual briefings with council members about the proposal which are ongoing, and they have met with many civic groups already and have committed to holding 5 town hall meetings in the City Council at-large residence areas. They are also willing to participate in any town halls that individual council members may convene.

Mr. Elsbury reviewed the major features of the proposal: 1) extend the current 6 cent local option gas tax by 10 years from 2036 to 2046, with a 50/50 split of revenues between the City and JTA beginning in 2036. Currently JTA gets 5 of the 6 cents for transit operations. 2) Add a new 6 cent local option gas tax with a 50/50 split from day one, beginning in January 2022 and extending for 30 years to 2052. The Beaches cities and Baldwin would get a share of the new revenues based on the current revenue sharing formula for the existing gas tax. 3) Add a 9th cent to state’ constitutional gas tax and apply that 9th cent to diesel sales as well as to gasoline. 4) Oversight of the revenues and projects will be provided by the Better Jacksonville Plan Financial Administration Committee and Project Administration Committee, which would be increased from 5 to 12 members (4 appointed by the mayor, 4 by the City Council, and 4 by the JTA). 5) An Interlocal Agreement with a definitive project list will be entered into by the City and JTA. Mr. Elsbury noted that the gas tax bill will be accompanied, as mentioned earlier by Council President Hazouri, by an ordinance appropriating $50M for septic tank remediation in the City’s Capital Improvement Plan in both FY21-22 and FY22-23.

JTA Presentation

Ari Jolly, Chair of the JTA Board, gave opening remarks and thanked the committee for the opportunity to present. She described how she has come to be a supporter of the Ultimate Urban Circulator (U2C) project in her time on the board. JTA has twice been named public transit system of the year for mid-sized cities in recent years. CEO Nat Ford has a track record for success in all types of transit around the country and is a leader in the industry, and she has absolute confidence that he and his team will bring the project to successful completion. Jacksonville is a growing and changing city and the U2C will make the city a more attractive place.

Nat Ford, JTA CEO, thanked the committee for the opportunity to present and the Mayor for commissioning a bold planning process for Jacksonville’s future. JTA has a project list with 4 major “buckets” of projects: 1) deferred maintenance issues, a “complete streets” initiative (10 sites), and purchase of a second ferry boat; 2) Prime Osborn Convention Center commuter rail and Amtrak station planning process; 3) countywide transit access improvements – bus stop ADA accessibility, pedestrian improvements, etc.; and 4) the Ultimate Urban Circulator project.

Mr. Ford said the Skyway has been a polarizing issue throughout its history, with strong opinions on both sides regarding whether keep and expand the system or abandon it and tear it down. When he took over as CEO of JTA in 2012 the board’s top priority was making substantial bus system improvements while thinking about what to do with the Skyway. The Skyway vehicles now obsolete and must be replaced. JTA is committed to full public participation in the process for determining its future and has appointed a Skyway Advisory Committee made up of both supporters and opponents. The consensus of that group after much public input was to keep, modernize and expand the system to be truly useful. Fixed guideways are not the transit way of the future - customization and flexibility are needed. Autonomous vehicles (AVs) are going to be the wave of the future and the Skyway offers a platform for downtown mobility that can be leveraged with the new technology. Research shows that AVs can use the Skyway elevated infrastructure and expand from there. JTA has coordinated with the US Department of Transportation, Florida Department of Transportation, and the North Florida Transportation Planning Organization on technology and legal issues and found a great deal of enthusiasm for trying something new to replace the aging infrastructure. US DOT’s research arm has worked with JTA on the U2C, both the Bay Street Innovation Corridor and the conversion of the Skyway elevated guideway to AV use. JTA got half of the grant they requested for the two projects, so will start with Bay Street Innovation Corridor at-grade facilities first. Without the other half of the grant, they couldn’t have gone forward with the Skyway conversion until this new gas tax option appeared.

Mr. Ford addressed the “just tear it down” attitude toward the Skyway. He said it is a federally funded asset ($100M federal investment) that would cost a great deal to tear down and pay back the federal government. He does not recommend demolition. If the system had been built out to something close to 10 miles as originally planned then we’d be facing a very different situation. He has faith that downtown is growing and developing (especially LaVilla and Brooklyn) and public transit needs to get ahead of the mobility needs with something innovative and useful.

Mr. Ford said the AV community is growing rapidly in Europe and Asia and the United States is next up. The Mayo Clinic COVID site, which used AVs to transport COVID test materials from the parking lot testing site to the testing labs) was a great test case. Artificial intelligence, machine learning, and the jobs of the future all relate to autonomous vehicles. The U2C has economic and technological implications for attracting tech firms to Jacksonville.

Chairman Carlucci posed a series of questions which were answered by Mr. Ford:

1) How was the $400+M cost determined? The $246M for Skyway conversion was determined by construction companies and several engineering studies available for public review at u2cjax.com.

2) How were routes and destinations determined? They were based on DIA, Jax Chamber, and community feedback on where potential riders would like to see the system go.

3) Is there an acquisition cost for right-of-way? JTA doesn’t foresee a need for any ROW for the Bay Street corridor or the elevated Skyway guideway reuse. The plan is to use exiting ROW for the expansion at ground level.

4) If the full plan has to be cut back, what portions are eliminated first? There needs to be a public process to make that decision should it become necessary. There is no plan currently for reductions.

5) Has a ridership feasibility study been conducted? Yes.

6) How is “success” defined for this plan? Connecting riders from their homes to their regional destinations quickly and efficiently; realizing $650M in economic impact; and showing that Jacksonville is a city ready for the future.

7) What happens in the event of cost overruns? JTA will not seek additional local funds aside from local option gas tax proceeds.

8) Can JTA provide documentation of on-time, on-budget performance? Yes. The BJP project completion list will be done years ahead of schedule using JTA resources where necessary; the Jacksonville Regional Transportation Center at LaVilla; the largest bus rapid transit system in Southeast US came in under budget; the St. Johns River Ferry has received multiple federal grants because of its demonstrated success.

9) Has JTA made efforts to get federal funding for U2C, especially given the Biden infrastructure proposal? Absolutely, building on JTA’s long track record of success obtaining federal grants.

10) Has JTA considered abandoning and tearing down or repurposing the Skyway guideway? Yes, but the advisory committee recommended retention, modernization and expansion and the JTA board agreed.

11) Will the federal government demand pay-back of its investment if the Skyway is abandoned? Yes. JTA is awaiting a response on the exact amount. They expect it would be at least $48M, but could be much more, up to full federal grant amount.

12) Could some gas tax funding be used for the Emerald Trail? JTA believes in holistic transportation and loves the Emerald Trail concept; COJ and JTA attorneys are looking at whether gas tax can be used for that purpose. Deputy General Counsel Peggy Sidman said the OGC needs to deal with specifics, not hypotheticals, to see exactly what state law allows. Mr. Ford said JTA has used gas tax revenues for sidewalks and multi-use trails on many of its projects, so it’s very possible that it could be used for the Emerald Trail, but the attorneys will have to opine definitively.

Q&A

Council Member Cumber said the federal BUILD grant application said the Bay Street Corridor project cost was $44M, but City Council was repeatedly told $29M - why the discrepancy? Has a Memorandum of Understanding been signed with JEA for its share of the funding? Former JEA CEO Aaron Zahn committed $5.6M on his own without board approval. Why was a contract signed with the federal government relying on just Mr. Zahn’s individual approval? JTA is considering hiring a concessionaire to operate the system – why is the City putting in so much funding if the private company is going to operate it for a profit?

Greg Hays, JTA CFO, explained the Bay Street Innovation Corridor funding stream and timing and the re-work of the budget when half the federal BUILD grant was not received; FDOT’s contribution went up and there are JEA and private sector funding commitments. Assistant Council Auditor Phillip Peterson said the Auditor’s Office did not hear that the cost was $44M until Council Member Cumber heard that figure at a recent North Florida TPO meeting and inquired about it. All of their documentation refers to a cost of $29M.

Ms. Cumber all the numbers associated with this project seem to be continually changing and it’s hard to explain to constituents what’s happening. She is very leery of AVs because of the lack of a driver and security concerns and wouldn’t use one herself. Mr. Ford said the project cost has always been $44M, the confusion may come in how it’s booked in different fiscal years. He understands that Jay Stowe, JEA’s relatively new CEO, will sign the commitment letter on behalf of JEA this week. Many local and national engineering and planning consultants have worked on this project. JTA envisions this as a public/private partnership with a private operator who will make an up-front investment for construction and then take depreciation value on their taxes. JTA can require the private operator to upgrade to new technology every 5 or 10 years pursuant to the contract. Security will be provided via cameras and microphones tied to the operations center.

Council Member Ferraro thanked JTA for making the St. Johns River ferry work so well. What can be done about getting all the projects done on time and on budget, which is always a problem? The Wonderwood Expressway needs to be rebuilt because of its poor condition, Kernan Boulevard got value engineered down to just a simple road with no amenities, the Alta Drive project took forever to get started, and the public is skeptical that anything will ever be any different. His constituents are overwhelmingly opposed to a new gas tax.

Mr. Ford said big projects take a long time to plan and construct, and JTA inherited the problems of the BJP program with not enough funding for obsolete designs that had to be redone. JTA has a good record during his tenure of getting things done on time. JTA responds to requests for scope changes to make projects what the community and the council want in the end. Mr. Ferraro asked what JTA will do differently to ensure that cost overruns don’t happen. Mr. Ford said the authority has learned a lot from the BJP experience; they have built capacity in-house with more staff to manage road projects, and doing the public/private partnership with private investment up front will help get started faster.

Council President Hazouri said he thinks a data dashboard is needed for the gas tax and septic tank projects so the public can readily track progress. He asked about the cost increase reported in the *Florida Times-Union* today. Has JTA projected cost increases? Mr. Ford said there is a contingency figure included in the budget for potential cost increases. There was confusion in the newspaper report about the cost increase for the system. Mr. Hazouri asked about the economic impact of the project and whether Jacksonville is anticipating getting funding from President Biden’s American Recovery Act infrastructure proposal. He is interested in how our Skyway compares with the Miami and Detroit people-mover projects funded at about the same time as the Skyway as federal transit demonstration projects.

Council Member DeFoor asked about the amount of private investment. On the Bay Street Corridor a private sector value capture of $7.5M is needed for the federal grant match. Two companies are being considered but financial terms have not been negotiated. Ms. DeFoor said she wants to see the City’s return on investment on $379M compared to the private ROI for their much smaller investment. She asked Mr. Ford if he would describe this proposal as risky. He responded that it’s hard to say because this is a very unique project proposing to use the existing elevated structure. The AV technology is not so risky – it’s proven and being used around the world.

Council Member Salem asked if there are any concerns about the long-term viability of the Skyway guideway, given its age. He asked about the Miami and Detroit systems and how successful are they. He said Jacksonville’s concession approach with downtown parking garages didn’t work and we’re in the process of getting out of that deal. Mr. Ford said the elevated guideway has been evaluated and is in good shape for at least another 30 years. Miami and Detroit fully completed their designs in the beginning unlike Jacksonville, and did zoning and land use to support their systems by building immediately adjacent to the stations. JTA will get expert advice on how to structure the deal to protect the city’s interests and get the best deal with a private operator.

Council Member Dennis said the proposal will produce lots of jobs and support the local economy. He wants to see the dollars stay in Jacksonville and not go to big out of town companies. He also wants to see at least 30% participation by local companies. He asked if projects be moved around on the priority list to meet individual district needs. He also asked how the $1B tax revenue figure was arrived at and whether that represented conservative or aggressive projections. Jordan Elsbury said the City want high JSEB participation and will work on that. They used highly conservative revenue projections, working in conjunction with the Council Auditor’s Office. Jacksonville is growing rapidly so is not losing gas tax revenue to electric vehicles as fast as some other places are. The project list was taken right out of the 5-year CIP, and Council can adjust it as it sees fit. The administration is happy to work with council members to meet their district’s needs. Mr. Ford said JTA’s project list will go through a public review process and they are willing to make changes after that public process has taken place, with JTA board approval.

Council Member Priestly Jackson asked Mr. Ford to describe JTA’s governance structure, which is different than other local independent authorities. Mr. Ford explained that JTA is a state-created authority with a board made up of 3 appointees by Governor, 3 by the Mayor, and the local FDOT district secretary as the seventh member. Ms. Priestly Jackson asked if oversight on road and transit projects will be by JTA; Mr. Ford confirmed that it would. Ms. Priestly Jackson said it is finally time to fulfill the original commitment and plan for the Skyway for a full 10-mile system to help make it all it could be. She is comforted by JTA’s hybrid board structure keeping an eye on things.

Council Member Pittman noted that she is the Council liaison to JTA and is excited by what they’re doing and feels they are taking a very methodical and considered approach to the future of the Skyway. She is excited by the expansion of the system to provide more mobility and for the opportunity it will present to young people for high tech job opportunities.

Ms. DeFoor said Jacksonville is lucky to have Nat Ford here running the JTA. She has heard from business leaders that Jacksonville has a talent shortage and hopes that this will help in that area. She asked how many BJP projects are still not completed and how far they are from being done. Public Works Director John Pappas said 11 projects are still undone, 8 of which are currently are underway. Ms. DeFoor asked for a list of what projects remain and the percentage of completion for each.

President Hazouri said lots of questions have been posed today and he hopes the administration and JTA will work diligently to answer them. He wants more details on the Miami and Detroit systems and how they’re working. He would like to see passenger trains using a downtown station at the Prime Osborn Convention Center again. JTA and the City administration need to recognize the areas of opposition in the community and deal with that.

Council Member Cumber said she agrees with Mr. Dennis on substantial local benefit to be generated from the construction, but that requires local hiring rather than importing workers from elsewhere. Mr. Ford said JTA has developed a robust small business enterprise program for BJP and local option gas tax projects. Referencing an issue raised earlier, he said safety is a top concern and they will have attendants on AVs when first implemented, training current bus drivers for future jobs.

Ms. DeFoor asked if there is anywhere that AVs are working well currently in a public transit setting. Mr. Ford cited Lyon, France and said other cities have AVs running in traffic. He will compile a database.

Council Member Carlucci encouraged council members to go to JTA’s Armsdale AV test center to see what the technology is about. He suggested the administration and JTA have staff available an hour before the town hall meetings begin for informal questions and discussion with the public before the formal presentations start. He urged coordination with the Council Auditor to get the numbers straight.

Public Comment

Marcus Nelson said JTA needs to be concerned about the cost of its proposals, particularly with AVs, that is still a developing industry that Amazon, FedEx and other multinational companies have not solved yet. There are other downtown improvements that could be made at much less cost than the very expensive U2C. The public hasn’t been informed about other feasible options.

Carnell Oliver supported the proposal and said he wants to see many of the existing downtown plans and studies finally put into action. He thinks that council members that don’t vote for the proposal shouldn’t get project spending in their districts - that’s the price of opposing new revenue to do what needs to be done in the city.

Stanley Scott thanked several council members for asking good questions about this plan. He is a bus rider and thinks the drivers are underpaid. Jacksonville suffers from poor leadership. JTA doesn’t serve the economically disadvantaged well with its bus system. He has evidence of fraud in several JTA bus stop improvement projects. JTA need to do better serving the needs of riders.

Chairman Carlucci thanked everyone from the administration and JTA for their participation today. He asked the at-large council members to help determine where to hold the town hall meetings.

President Hazouri announced a Council Committee of the Whole on Thursday, April 29th on the septic tank bill to be introduced next week. On Wednesday, May 12th at 2 p.m. there will be another Committee of the Whole on the local option gas tax and septic tank proposals. Both bills will be filed next week and travel together through Committees of the Whole in addition to the 5 town hall meetings. He asked for clarification of when the bills can be amended. Deputy General Counsel Peggy Sidman said bills cannot be amended on first reading unless the Council Rules are waived. Mr. Hazouri said the bills will be assigned to a Committee of the Whole, not the standing committees, so that every council member can be fully involved in the debate. If the bills are approved by the Committee of the Whole on May 12 they would be reported to the Council for final action at a special called council meeting immediately following the Committee of the Whole that day. Amendments can be prepared at any time for presentation at the upcoming meetings.

Jordan Elsbury thanked the group for the opportunity to present today. They are happy to do a town hall meeting in any district at the invitation of the council members.

**Meeting adjourned:** 11:10 a.m.

Minutes: Jeff Clements, Council Research Division

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4.26.21 Posted 10:00 a.m.