

**OFFICE OF THE CITY COUNCIL**

**RESEARCH DIVISION**

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**FINANCE COMMITTEE BUDGET HEARING #4 MINUTES**

 **August 20, 2021**

**9:00 a.m.**

**Location:** City Council Chamber

**In attendance:** Committee members Ron Salem (Chair), Danny Becton, Michael Boylan, Reggie Gaffney, Terrance Freeman, Matt Carlucci (arr. 9:24),

**Excused**: Committee member Ju’Coby Pittman

**Also**: Council Member Joyce Morgan; Kim Taylor, Heather Reber, Brian Parks – Council Auditor’s Office; Jeff Clements– Council Research Division; Paige Johnston – Office of General Counsel; Bernadette Smith – Legislative Services Division; Eric Grantham – Information Support Services; Joey Greive and Angela Moyer – Finance and Administration Department; Brian Hughes, Stephanie Burch, Leeann Krieg, Rachel Zimmer – Mayor’s Office

**Meeting Convened**: 9:00 a.m.

**Page references from this point refer to Council Auditor’s Meeting #4 – Independent Agencies handout**

**JEA**

Heather Reber of the Council Auditor’s Office reviewed the JEA budgets for electric, water and sewer, district energy, and capital improvements. With regard to the authority’s Pay for Performance Plan, Ms. Reber noted that the JEA board has not yet adopted the plan for next year, but will do so at its next meeting on August 24th.

Jay Stowe, JEA’s CEO, said that things are going well at the utility and a good leadership team has been assembled. Chairman Salem expressed his satisfaction at seeing the performance plan included as part of the budget package. In response to a question from Salem, Mr. Stowe said that nuclear Plant Vogtle is delayed again and the two units will likely come on line next summer and the summer after. The increased cost caused by the delay will be $110M out over 10 years. JEA is hopeful and optimistic that the delays are over. Mr. Salem asked about septic tank remediation. Mr. Stowe said the City has appropriated $50M this year and next for remediating the Riverview subdivision. JEA is studying the vacuum technology recommended by the consultant in its recent study for some locations. He said septic tanks are a long-term issue and JEA is beginning to look at pre-designing systems for upcoming subdivisions to speed up the construction process when those subdivisions are permitted. Council Member Freeman asked about JEA’s minority business participation rate. Mr. Stowe said their target this year is $18M, which will be exceeded. The target will go up next year with more sewer work being done. JEA recently had a conference call with JSEB vendors to tell them how to be a prime or sub-contractor on JEA work. It’s a priority area for JEA.

In response to a question from Council Member Becton about the total cost of Plant Vogtle, JEA Chief Financial officer Joe Orfano said it had increased from $2B to just over $3B. JEA will be responsible for $18-20M in nuclear fuel costs per year when the plant comes on line, plus a $190M power purchase agreement per year. JEA will need annual increases in its base rate of 1 to 1.5% beginning probably in 2023. Mr. Becton asked how the current JEA leadership sees future electric sales trending and asked if any thought is being given to business diversification. Mr. Stowe said electric sales are projected to be flat to barely declining. JEA needs to improve operations to reduce costs, is working with the City and JAXUSA Partnership on economic development, and is considering the future impacts of electric vehicles, dark fiber, and other potential business lines. In response to another question from Mr. Becton, Mr. Stowe said JEA will move into its new headquarters building in the summer 2022 and will need to decide how to dispose of the current building for reuse for downtown’s benefit.

Council Member Boylan noted that the City Council had rewritten City Charter Article 21 (JEA) last year and wanted to encourage stronger board involvement in the leadership of the agency and asked how the board/management relationship is going. Mr. Stowe thanked the Council for approving a very strong board and said they are working together on the future of the utility. Relations with management are very good and very transparent. Things are going very well. Council Member Carlucci said he is pleased with how things are going at JEA and with the improved relationship between JEA and the Council. He asked if JEA is budgeting its own funds for septic tank remediation. Mr. Stowe said JEA budgeted $12.5M this year and budgets $1.5M annually for engineering and design work.

Council Member Gaffney asked about JEA’s position on green energy, particularly solar power. Mr. Stowe said JEA is working on adding large scale solar sites to its generating capacity by the end of next year. They will be doing purchase power agreements to let interested customers have access to solar power. The utility is working on a 20-year plan (due next year) for electric generation that will certainly include solar power. Council Member Morgan asked about the base rate increase mentioned earlier. Mr. Stowe said there will be no change this year, but customers will start seeing base rate increases beginning next year due to Plant Vogtle and other increasing operating expenses. He expects they will likely be in the 1.5% range depending on things like the cost of construction materials.

**5-Year Road Program/Fuel Taxes**

Ms. Reber said the budget estimates a $17M increase in the local option gas tax (“tax for tolls”) revenue.

Council Member Becton asked if all of the $5.1M of the City’s 1 cent share of the 6-cent gas tax is being used for countywide purposes; she said it is. Mr. Becton noted that gas tax dollars can only be used for sidewalk construction in conjunction with road projects; new sidewalks elsewhere need to be funded from another source. Brian Hughes said that the City commissioned an outside counsel report on permissible uses of the gas tax; he will have the report distributed to the committee members. In response to a question from Council Member Boylan about what projects the new local option gas tax will pay for, Mr. Hughes said the City’s project list is in this year’s CIP and Council approved JTA’s list when it extended the task. There will be a dashboard on the web site available to the general public to follow progress on the listed projects.

**5 Cent Local Option Gas Tax**

**Motion**: on p. 46, approve Auditor’s recommendation that Debt Management Fund charges be reduced to $0, to be offset in this fund with half of the funds being sent to JTA pursuant to the interlocal agreement and the other half being placed in a contingency account within this fund pending the CIP budget hearing where it can be used to reduce borrowing. This will be offset in the Debt Management Fund by reducing loan repayments by a corresponding amount since this was used to balance the fund – **approved**.

**Ninth Cent Fuel Tax**

**Motion**: on p. 47, approve Auditor’s recommendation that the Debt Management Fund charges be reduced to $0, to be offset in this fund with half the funds being sent to JTA pursuant to the interlocal agreement and the other half being placed in a contingency account within this fund pending the CIP budget hearing where it can be used to reduce borrowing. This will be offset in the Debt Management Fund by reducing loan repayments by a corresponding amount since this was used to balance the fund – **approved**.

**Jacksonville Transportation Authority**

**Motion**: on p. 66, approve Auditor’s recommendation #1 to attach Revised Schedules O, P, Q, and R to reflect the following changes:

1. Decrease the “Local Option Gas Tax” revenue under Bus on Schedule O by $1,975,450 from $16,634,198 to$14,658,748 to bring JTA’s budget in agreement with the City for this revenue stream.
2. Increase the “Net Sales Tax – Operating” revenue under Bus on Schedule O by $379,400 from $72,694,156 to$73,073,556 to bring JTA’s budget in agreement with the City for this revenue stream.
3. Decrease the “Contingency” expenditure line under Bus on Schedule P by $1,596,050 from $8,028,731 to$6,432,681 to balance JTA’s revenues and expenditures.
4. Increase the “City of Jacksonville (Paratransit Contribution)” revenue under Connexion on Schedule O by $1 from$1,525,918 to $1,525,919 and decrease the “Federal, State, & Local Grants” revenue under Connexion on Schedule O by $1 from $347,328 to $347,327 to bring JTA’s budget in agreement with the City for this revenue stream and balance JTA’s revenues and expenditures.
5. Increase JTA’s “Full Time Positions” under Bus on Schedule P by 9 positions from 705 to 714 positions to correct the Budget Ordinance Schedule to agree with the supporting schedules.
6. Remove the “Grant Match (State)” line on Schedule Q since there is no funding.
7. Correct various rounding errors to balance revenues and expenditures.

The motion was **approved**.

**Motion**: on p. 66, approve Auditor’s recommendation #2 to amend the Budget Ordinance language related to JTA to reflect revised schedules and a revised sales tax revenue budget amount of $75,106,404 – **approved**.

Chairman Salem asked if there is a performance incentive plan for JTA management. JTA CEO Nat Ford said there is a plan for himself and for the VP for Strategic Innovation; he will provide copies of those plans to the committee. Mr. Ford said the last year was a tremendous challenge for JTA’s employees who kept transit running throughout the pandemic. JTA partnered with Uber and Z-Trip to provide rides to customers to get to vaccination sites and converted buses into Wellness on Wheels mobile vaccination units operated by Agape Health. They have started using ultraviolet disinfection on transit vehicles. He said JTA will be getting a national award for innovation at an upcoming conference. The authority is also leading the nation in autonomous vehicle testing. Mr. Ford thanked the Mayor’s Office and City Council for the local option gas tax extension. He noted that the Regional Transportation Center has achieved LEED Gold certification. JEA has begun building its electric bus fleet with several battery powered vehicles now in operation. The authority has received competitive federal grants over several years to improve the St. Johns River ferry vessel and operations. JTA is very committed to minority businesses and has seen 40% DBE participation on its Federal Transit Administration-funded projects, and 20% on its non-FTA projects. The final segment of the First Coast Flyer (the Orange line to Orange Park) will open next week to complete the largest bus rapid transit system in the Southeast US.

Council Member Becton asked about bus shelter improvements. Mr. Ford said $100,000 is budgeted for new shelters next year for high use locations. Mr. Becton said there is a “chicken and egg” problem – new shelters go to high use stops, but potential riders may be reluctant to use the buses until the stops are more convenient with improved facilities. Mr. Ford said JTA has an inventory of all bus stops, their usage and their facilities and needs. Local option gas tax revenues will pay for improving about 800 stops up to minimum ADA accessibility standards. Bus shelters cost about $10,000 apiece. CARES Act funding will also be allocated to shelter construction next year. Council Member Carlucci complimented JTA on the good work it is doing and the service it is providing. Council Member Gaffney thanked Mr. Ford for his staff’s responsiveness and assistance.

Council Member Freeman asked for quarterly reports on projects on the JTA’s local option gas tax project list so that he can communicate progress to the constituents who wonder why everything takes so long to accomplish. Mr. Ford committed to giving those updates.

**The committee was in recess from 10:44 to 10:55 a.m.**

**Jacksonville Aviation Authority**

**Motion**: on p. 84, approve Auditor’s recommendation #1 to increase to the expenditure line "Services and Supplies" of $574,939 for a revised total of $16,780,051 and a decrease to the expenditure line "Operating Contingency" by the same $574,939 for a revised total of $1,925,061 to reflect the $574,939 amount that JAA under-budgeted for JIA fire services – **approved**.

**Motion**: on p. 84, approve Auditor’s recommendation #2 to increase to the "Transfer (to)/from Operating Capital Outlay" of $1,500,000 for a revised total of $30,472,500 and an increase to the "Transfer to)/from Retained Earnings" of $1,500,000 for a revised total of $13,418,964 to reflect the correct amount of JAA funding for capital projects – **approved.**

**Motion**: on p. 84, approve Auditor’s recommendation #3 to increasing the Total Appropriations amount to a revised total of $107,715,060 to correctly reflect the total amount of appropriations and add a line under Total Revenues titled Total Other Sources - Retained Earnings in the amount of $13,418,964 to show the transfer from retained earnings that is budgeted; also add a line titled Total Sources with an amount of $107,715,060 to reflect a balanced budget – **approved.**

**Motion**: on p. 84, approve Auditor’s recommendation #4 to remove and replace Budget Ordinance Schedule G with Revised Schedule G to reflect recommendations 1, 2, and 3 above – **approved.**

**Motion**: on p. 84, approve Auditor’s recommendation #5 to remove and replace Budget Ordinance Schedule H with Revised Schedule H which offers more line item detail of FY 2021/22 capital

Projects – **approved.**

Mark Van Loh, CEO of the Aviation Authority, introduced his leadership team in attendance. He said that the authority had to make drastic cuts over the last year and a half during the COVID pandemic when the travel industry all but collapsed, but they are recovering. Activity and revenues at the other airports aside from Jacksonville International Airport increased during the pandemic. New non-stop routes from JIA have been added recently to Los Angles, Austin and San Juan, Puerto Rico. International travel is still largely non-existent and the business market has not yet recovered from the pandemic. The spike in the coronavirus in the last month has once again depressed airline travel substantially. Mr. Van Loh said the federal government has extended the masking mandate through January 2022.

Council Member Becton urged the authority to explore opportunities for more direct flights to the Caribbean. Mr. Van Loh said that airlines need to see 100 passengers per day every day of the year to a destination to begin consideration of direct service to that location. The authority’s next priority is non-stop service to Europe. Mr. Becton said a major disincentive to international travel during the pandemic is the requirement to be tested for COVID before returning to the U.S. and the possibility of being quarantined for two weeks in a foreign country if there is a positive test. Mr. Van Loh said that the U.S. does not require testing for returning travelers from all countries, depending on the status of the pandemic in that country.

Council Member Boylan congratulated the JAA on the health of its overall system and especially the growth at Cecil Field. He asked Mr. Van Loh about his perception of the future of the airline industry, particularly the prospect for more airline consolidation. Mr. Van Loh said that two new airlines were started during the COVID pandemic to provide service to limited destinations. There may be more consolidation among the old legacy carriers who carry tremendous amounts of debt.

**Jacksonville Port Authority**

**Motion**: on p. 96, approve Auditor’s recommendation #1 to attach a Revised Schedule I to increase the “Shared Revenue from Primary Govt” line under “Non-Operating Revenues” by $42,191 from $9,600,000 to $9,642,191 to be in agreement with the amount the City has budgeted to be paid to JPA; also increase the “Debt Service” line under “Non-Operating Expenditures” by $42,191 from $16,785,534 to $16,827,725 to balance the revenues and expenditures for JPA’s budget – **approved**.

**Motion**: on p. 96, approve Auditor’s recommendation #2 to attach a Revised Schedule J (Capital) to correct spelling errors and include formatting changes for consistency purposes – **approved**.

Eric Green, CEO of the JPA, introduced his management team in attendance. He thanked the City Council for its continuing partnership and support. He said that JPA is one of the most diversified ports in the U.S., and that helped them to cope with the pandemic without excessive suffering. He noted that 30% of JTA’s procurement spending goes to JSEBs. The authority is repaying the bridge loan the City made to the dredging project and will do that on time. The dredge project should be complete by the end of next year.

**The committee was in recess from 11:32 a.m. to 12:33 p.m.**

**Page references from this point refer to Council Auditor’s Meeting #4 handout.**

**Employee Services Department**

Department Director Diane Moser said her department was responsible for the COVID protocols for City employees during the pandemic and thanked her employees for their good work. She noted that the department has negotiated collective bargaining agreements with 6 unions that will be presented to the City Council next week for ratification. She reported that every department has a Continuation Of Operations Plan (COOP) that outlines which employees are considered essential and required to report to work during declared emergencies. In response to a question from Council Member Boylan, Ms. Moser said that 82 employees took advantage of the early retirement option and will leave the payroll by the end of September. She said that the City currently has 60 more vacant positions than usual (590 vs. an average of 530) for this time of year.

With regard to the group health insurance program Ms. Taylor reported that there are no rate increases programmed for this year, but the rates will probably have to increase in the next couple of years. Chairman Salem praised the City for offering very good insurance at a very reasonable rate compared to what is being offered in most of the private sector.

In response to a question from Council Member Freeman, Ms. Moser said that about 1,000 of the City’s employees are participating in the Go365 wellness program at least at the bronze level; about 6,000 employees are not participating at all. She said the department is looking at the cost-effectiveness of the program and will be exploring other possible options. Mr. Freeman asked about the availability of mental health care options. Ms. Moser said the City offers an Employee Assistance Program which includes counseling in a variety of settings, both in-person, by phone and online.

**Planning and Development Department**

In response to a question from Council Member Carlucci, Department Director Bill Killingsworth said the new Chief Resiliency Officer, Anne Coglianese, is now on-board and is meeting with City employees and outside agencies (e.g. St. Johns Riverkeeper) to learn about Jacksonville. Chairman Salem said he had met with Ms. Coglianese and found her to be extremely enthusiastic about the job.

In response to a question from Council Member Becton, Mr. Killingsworth said that the department has ended its permit fee waivers and moratoria, but some permits filed while the programs were in effect are still working their way through the permitting system.

**Building Inspection Fund**

Council Member Boylan asked Mr. Killingsworth about the capacity of his staff to handle the spike in workload generated by the sharp increase in land development, rezonings, land use changes, etc. Mr. Killingsworth said that the Council’s Special Committee to Assess the City’s Building and Permitting Processes is looking at needed capacity improvements and he and development industry representatives have been meeting to discuss specific needs. Brian Hughes said that he and Mr. Killingsworth are constantly monitoring the workload and balancing the need for more staff with the realization that the building boom will eventually end and then there may be a need to reduce full-time staff though layoffs as has been done in the past.

**Motion**: on p. 17, approve Auditor’s recommendation #1 to reduce computer system maintenance and security within the Building Inspection Fund by $2,526,406 because these charges were supposed to be charged to the IT System Development (53106) – **approved**.

**Motion**: on p. 17, approve Auditor’s recommendation #2 to reduce computer system and security costs of $344,509 within other areas that are being charged for this system. Specifically:

• Concurrency Management (10101) – A reduction of $28,709 that will be off with a reduction in its transfer from fund balance.

• Solid Waste Fund (43101) – A reduction of $28,709 that will be offset with a reduction in the transfer-in from the General Fund/GSD (00111). This will result in a positive impact to Special Council Contingency.

• General Fund/GSD Various Departments – A reduction of $287,091 that will be offset with a positive impact to Special Council Contingency.

The recommendation was **approved**

**Motion**: on p. 17 approve Auditor’s recommendation #3 to make an adjustment within the IT System Development Fund (53106) by moving $4,171,930 from Professional Services that was previously appropriated for this project to Capital Internal Services since the project will now be built in-house – **approved.**

**Neighborhoods Department**

Chiquita Moore, Director of Operations for the Neighborhoods Department, thanked her staff for their great work on behalf of the citizens during the COVID pandemic and thanked the Mayor’s Office for their support of the work of the department. In response to a question from Council Member Becton about the status and future of Animal Care and Protective Services, Ms. Moore said that the division is working very well with its private sector partners and she believes things are running smoothly at the animal shelter. COO Stephanie Burch said that the partnerships with the private sector organizations are vital to the division’s operations and the division has been very successful at obtaining grants to supplement its operational funding.

Council Member Morgan asked about the Keep Jacksonville Beautiful program and community beautification efforts. Ms. Moore said that they are also getting grants to supplement beautification efforts. Ms. Morgan suggested that more needs to be done to promote a more clean and beautiful city, given the messages she gets from her constituents about the conditions they see around the city. In response to a question from Council Member Boylan about what might be done to make the work of code compliance inspectors more effective, Michael Chao, Chief of Code Compliance, said that privacy rights (Fourth Amendment to the U.S. Constitution regarding illegal search and seizure) limit what his inspectors can do and where they can look in the process of responding to complaints. Mr. Boylan suggested that an information piece be developed to hand out to complainants to explain to them why Code Enforcement can’t look over a fence or enter onto private property to document potential violations. Mr. Salem stressed the importance of the Citizen Planning Advisory Committees (CPACs) as a means of citizen input into government. Council Member Becton suggested “redistricting” the planning districts and the CPACs to recognize the tremendous growth that has taken place in some parts of the city. Brian Hughes said that would be part of the process of developing the new City Council districts.

In response to a question from Council Member Becton, Stephanie Burch said that the Mosquito Control Division has 3 aircraft and they are constantly in use.

**State, Federal and Other Grants**

**Motion**: on p. 30, approve Auditor’s recommendation #1 that Section 1.3(e)(2) be amended to add the below underlined language that is included for grants with no match, making it clear the grants with a match can accept a grant for an additional match the same as grants with no match:

“There is also appropriated from and to such accounts, for the purposes stated herein, an additional ten percent (10%) or $20,000, whichever is greater, of the total grant match funds, to the extent the same becomes available during the term of the grant, and during any permissible extension of the grant term. There is also appropriated from and to such accounts, for the purposes stated herein, any additional grant funds, to the extent the same becomes available during the term of the grant, and during any permissible extension of the grant term.”

The motion was **approved**.

**Motion**: on p. 30, approve Auditor’s recommendation #2 that a Revised Schedule B1b be attached to include the same language identified above – **approved**.

Council Member Boylan asked about the effectiveness of the Mayor’s Director of Community Partnerships in getting and administering grants. Brian Hughes said that Dawn Lockhart and her staff are being extremely effective in the grant area. Mr. Boylan said he has asked the Council Auditor to develop a tally of all the various types and amounts of funding the City provides to the not-for-profit world so that the community has a clear picture of how much support the City is providing. In response to a question from Council Member Morgan about how council members should make the administration aware of potential grant opportunities, Mr. Hughes recommended that opportunities be presented to the Mayor’s Office so they can assign the item to the proper department and can track it to completion.

Budget Officer Angela Moyer asked the committee to make an amendment to the continuation grants schedules to correct the location of a Sheriff’s Office court security grant.

**Motion**: move a JSO court security grant from Schedule B1a (continuation grants with no match) to Schedule B1b (continuation grants with City match) - **approved**.

Chairman Salem recommended that next year the JAA and JPA be moved in front of the JEA and JTA because of the relative length of discussion that each generates.

Council Member Carlucci said that he had recently spoken to the CEO of Greenscape Jacksonville who asked if the allocation to their group could be increased from $10,000 to $15,000, and inquired when and how he could request an additional allocation to Greenscape. Chairman Salem said he would have a process for dealing with requests for use of the Special Council Contingency fund next week.

Ms. Taylor reported that the Special Council Contingency stands at a positive $1,259,829.

**Meeting adjourned:** 2:06 p.m.

Minutes: Jeff Clements, Council Research Division

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8.19.21 Posted 5:30 p.m.