

**OFFICE OF THE CITY COUNCIL**

**RESEARCH DIVISION**

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**FINANCE COMMITTEE BUDGET HEARING #7 MINUTES - Amended**

 **August 27, 2021**

**9:00 a.m.**

**Location:** City Council Chamber

**In attendance:** Committee members Ron Salem (Chair), Danny Becton, Michael Boylan, Matt Carlucci, Reggie Gaffney, Terrance Freeman, Ju’Coby Pittman (arr. 9:07)

**Also**: Council Members Garrett Dennis, Sam Newby, Joyce Morgan; Kim Taylor and Brian Parks – Council Auditor’s Office; Jeff Clements– Council Research Division; Jason Teal and Paige Johnston – Office of General Counsel; Jessica Smith – Legislative Services Division; Eric Grantham – Information Support Services; Joey Greive, Angela Moyer, Randall Barnes – Finance and Administration Department; Brian Hughes, Stephanie Burch, Leeann Krieg, Rachel Zimmer – Mayor’s Office

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

Chairman Salem reviewed the agenda for the day and the attendees introduced themselves for the record. Mr. Salem announced that proposals for allocation of the Special Council Contingency will be discussed at the conclusion of the scheduled agenda items.

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

**Police and Fire Pension Fund Administration**

Council Auditor Kim Taylor reported that the PFPF has $4.25 billion in accrued liability and $2.04 billion in assets for a funding ratio of 47.98%, excluding the net present value of the sales tax for pension. When that net present value is included, the funding ratio increases to 69.36%.

**Motion**: on p. 6, approve Auditor’s recommendation #1 to remove and replace Schedule AB and AC with REVISED Schedule AB and REVISED Schedule AC in order to perform the following:

a. increasing “Personnel” by $8,218 on Schedule AC in order to accurately reflect the pension costs and employee provided benefits cost as determined by the budget office. This will be offset by increasing “Trust Fund Revenues” by $8,218 on REVISED Schedule AB in order to balance the budget.

b. decreasing “Operating Expenses” by $146,211 on Schedule AC in order to accurately reflect the internal service allocations as determined by the budget office and to move the Capital Outlay of $75,000 into its own Category. This will be offset by decreasing the “Trust Fund Revenues” by $71,211 on REVISED Schedule AB in order to balance the budget.

c. removing the “Adopted FY 21” amounts from the schedule. We also recommend adding a subtotal for administrative costs and other formatting changes as depicted on REVISED Schedule AB and AC based on all of these recommendations.

The motion was **approved**.

**Motion**: on p. 6, approve Auditor’s recommendation #2 to revise budget ordinance 2021-504 Section 9.4(iii) to correct the employer contribution to the Police and Fire Pension Fund, from $157,730,278 to $157,352,434 (a decrease of $377,844) as determined by the plan actuary as of the 10/1/20 valuation; additionally, decrease the budget for the Police and Fire Pension contribution by a corresponding amount within JSO and JFRD’s budget – **approved**.

Chairman Salem asked Tim Johnson, Executive Director of the PFPF, to provide the committee with his handout showing the projections of the future funding ratio of the fund over time. Mr. Johnson said the only real increases in this year’s budget relate to the growing asset manager costs associated with the growing asset pool.

Interim General Counsel Jason Teal described the recent action of the Police and Fire Pension Fund Board to obtain independent legal counsel without consultation or approval of the General Counsel, which is prohibited by the City Charter. The Charter provides that the Office of General Counsel is a central service that must be utilized by all City departments, agencies and authorities. The General Counsel may authorize the use of outside counsel when necessary. Mr. Teal said that the PFPF has directly violated a legal opinion issued to the board in 2016 pointing out the prohibition against obtaining counsel without the General Counsel’s approval. He recommended an amendment to the budget to specifically prohibit the PFPF from obtaining outside counsel without General Counsel approval. Mr. Johnson said that the $35,000 increase in the budget for legal counsel relates to the preparation of documents for the purchase of private assets to diversify the fund’s asset base, a decision made months ago by the board. The increase is needed in connection with management of these assets, not to hire a counsel to provide legal opinions. He said the board of trustees only yesterday received the letter from the General Counsel distributed to the committee today, so they have not had the chance to meet and discuss the letter and he cannot speak on their behalf until they have met. In the past the board has determined that the interests of the City and the PFPF sometimes diverge, and therefore made this decision to contract directly with the attorney (the same law firm previously contracted by the General Counsel to do this same work) in order to fulfill their fiduciary responsibility to the fund’s participants.

Mr. Teal reiterated that his office has no objection to the amount of the agency’s budget; the concern is the unauthorized use of legal counsel in contravention to the City Charter. He disagreed with Mr. Johnson about this being a contract for the same work and said that the wording of the latest contract opens the door to the outside counsel performing services above and beyond what it currently provides, and also does not have a maximum indebtedness amount. Mr. Teal said he would commit today to authorizing whatever outside counsel the fund may determine need to handle appropriate pension-related matters.

**Motion** (Boylan): approve the General Counsel’s recommendation to insert language into the budget ordinance as follows:

Pursuant to Section 7.01 of the Charter and Binding Legal Opinion 16-02, no appropriated funds can be expended on any outside legal counsel who has not been formally engaged by the Office of General Counsel, unless and until the Charter is changed to authorize such services.

Council Member Becton said the City Council respects the PFPF board’s fiduciary responsibility to its members and believes that what is needed is just some clarity in restating the existing requirements of the Charter and Ordinance Code for the purpose of clarity. Tim Johnson said that the current contract with the legal counsel does not limit their work to pension matters, but the PFPF would be amenable to adding that language to the contract if that would make the Council more comfortable.

The Boylan motion was **approved unanimously**.

In response to a question from Council Member Becton about who is managing the assets of the defined contribution retirement plan, CFO Joey Greive said that management fees have been reduced tremendously in recent years and the number of investment options has been decreased for the sake of simplicity but options exist for self-managed portfolios, managed funds, and expected retirement date “glide path” funds. There are monthly and quarterly reports on the performance of all the investment options and there are many employee education options to help them determine what is best for their personal situation.

**General Employees Pension Plan**

Ms. Taylor reported that the GEPP has $3.39 billion in accrued liability and $2.04 billion in assets for a funded ratio of 60.26%.When the net present value of the pension sales tax is taken into account, the funding ratio rises to 77.05%.

Mr. Greive said that the performance of the pension plan and the growth in the net present value of the sales tax for pension are very close to what was projected when the pension reform plan was adopted several years ago. He noted that the investment performance of the fund is in the top 15% of peer cities over the last 10 years.

**Risk Management – Insured Programs**

Mr. Greive said the last year has been very challenging for insurance. The City runs a very large liability insurance program and benefits from a very good relationship with its local broker (Brown and Brown) and with Lloyds of London, its underwriter. In response to a question from Council Member Pittman about whether the COVID pandemic is imposing additional costs, Mr. Greive said that is has in several areas. The City is using some of the federal COVID relief funding to help offset those increased costs.

**Finance and Administration Department**

**Motion**: on p. 20, approve Auditor’s recommendation to increase the number of part-time hours by 3,000 to 11,360 to provide Accounting with an additional 3,000 part-time hours in addition to the 2,200 already being proposed to better align the number of part-time hours with the dollar value budgeted – **approved**.

**Auditor’s Wrap-Up Items**

Kim Taylor recommended several clean-up amendments to items previously approved by the committee:

1. Mental Health Resource Center contract – update the amount the City may remit from $756,665 to $773,322 – **approved**.
2. Local Option Gas Tax - Amend the list of projects being funded with new local option gas tax funds in lieu of debt in the amount of $4,794,902 to reflect the following items to the following items since the previous list included an item already funded with pay-go dollars - **approved**.
	1. $2,000,000 to Pavement Markers
	2. $450,000 to Countywide Intersection Improvement & Bridge Rehab – Bridges
	3. $400,000 to Countywide Intersection Improvement & Bridge Rehab – Intersections
	4. $150,000 to Traffic Calming
	5. $1,000,000 to CRISI Grant (CSX/FEC/FDOT/JTA) Grant Match
	6. $44,902 to Traffic Signalization – Enhancements
	7. $75,000 to Traffic Signalization – Fiber Optic
3. A Feeding Northeast Florida contract term sheet was distributed to accompany an earlier action to approve a direct contract with the agency.

Council Member Becton announced that the Special Council Contingency stands at a positive $1,739,969.

**The committee was in recess from 10:30 to 10:40 a.m.**

**Council Contingency Discussion**

Paige Johnston distributed a list of proposed amendments submitted by Finance Committee members (totaling $729,675) and other non-committee council members (totaling $500,000), plus two additional amendments proposed by Council Member Carlucci after the list was compiled (totaling $15,000) for a total of $1,244,675. Council Member Freeman proposed an additional amendment for $50,000 for a mental health program; President Newby said that program was already covered by his amendment #2 on the handout; Council Member Morgan proposed an additional amendment for $50,000 for Safer Together purposes; Council Member Carlucci asked to increase his Mad Dads amendment request from $10,000 to $15,000. Kim Taylor said that details are needed on many of the amendments to definitively capture the intent of the amendment makers (specific uses, term sheets for private provider contracts, Procurement Code waivers, specificity on accounts, etc.) before the committee votes.

Library Director Tim Rogers explained the Gaffney #1 amendment to contract with nationally- and regionally-known authors and educators to provide programming ~~in the Brentwood Library~~ throughout the library system to emphasize and promote literacy. Deputy Managing General Counsel Peggy Sidman said that she has been in communication with Friends of Brentwood Library Inc. and recommended that the $25,000 funding for that group be placed in a contingency account while details are worked out for the contract.

Chairman Salem advocated for the committee to approve the amounts and general descriptions of uses for each of the amendments and authorize the Council Auditor’s Office, Office of General Counsel and the administration to work out the details as necessary to effectuate the committee’s intent.

**Motion** (Becton): approve the following proposed council member amendments:

* Gaffney amendment #1 - appropriate $100,000 to the Jacksonville Public Library and $25,000 the Friends of Brentwood Library, Inc., from Special Council Contingency, approve a contract term sheet and invoke Procurement Code exemption for direct contracting to fund a literacy enhancement program at the library;
* Gaffney #2/Becton amendment - appropriate $400,000 from Special Council Contingency to the DIA/Public Parking budget to cover the lost revenue from extending the City employee parking rate discount in City-owned parking facilities should the pending ordinance be approved;
* Pittman amendment – appropriate $100,000 from Special Council Contingency to the Office of Economic Development budget for the Moncrief Revitalization Phase 2 project;
* Boylan amendment #1 - appropriate ~~$100,000~~ $41,900 from Special Council Contingency to the Human Rights Commission budget to fund study circles activities;
* Boylan #2 – appropriate $37,775 from Special Council Contingency to the Special Events Division budget in support of the Jacksonville Historical Society’s Jacksonville Bicentennial observance activities;
* Salem – appropriate $25,000 from Special Council Contingency to the Jump Start Program operated by the Northeast Florida Sober Living Alliance, Inc.; approve the contract term sheet and invoke the Procurement Code exception to authorize a direct contract;
* Carlucci #1 – appropriate $5,000 from Special Council Contingency to provide additional funding to Greenscape for Arbor Day activities;
* Carlucci #2 – appropriate $15,000 from Special Council Contingency to M.A.D. D.A.D.S.;
* DeFoor – appropriate $200,000 from Special Council Contingency to the Neighborhoods Department budget to fund removal, storage and destruction of derelict vessels, floating structures and vessels found to be in violation of any anchorage limitation areas;
* Newby #1 - appropriate $200,000 from Special Council Contingency to Operation New Hope to help expand its programming to add 30 individuals and diversionary programming and revise Exhibit 4 to the budget ordinance (2021-504);
* Newby #~~1~~ 2 - appropriate $100,000 from Special Council Contingency to contract with Angela Spears Communication; approve the contract term sheet and invoke the Procurement Code direct contracting exemption to contract with the company to produce public service announcements on the effects of violence and anxiety on mental health.
* Morgan – appropriate $50,000 from Special Council Contingency for for Safer Together purposes;
* Appropriate the remaining $440,294 remained in Special Council Contingency to a Council President Contingency account.

The Becton motion was **approved unanimously**.

~~Chairman Salem announced that $440,294 remained in Special Council Contingency, which will be available for future allocation.~~

**Motion**: approve Council Auditor’s request to authorize use of the direct contracting exception in the Procurement Code where needed for the amendments approved above – **approved**.

President Newby congratulated the committee on its outstanding work throughout the process. Chairman Salem thanked his committee members for their good work.

**Meeting adjourned:** 11:04 a.m.

Minutes: Jeff Clements, Council Research Division

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9.8.21 Posted 9:15 a.m.