



OFFICE OF THE CITY COUNCIL

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FINANCE COMMITTEE BUDGET HEARING #4 MINUTES

August 18, 2023

9:00 a.m.

Location: City Council Chamber, City Hall – St. James Building; 117 West Duval Street,
In attendance: Council Members Nick Howland (Chair), Randy White, Raul Arias, Kevin Carrico, Reggie Gaffney Jr., Will Lahnen Ju’Coby Pittman

Excused: None

Also: Council Members Michael Boylan, Terrance Freeman, Joe Carlucci, Jimmy Peluso, Matt Carlucci; Kim Taylor, Brian Parks, Heather Reber - Council Auditor’s Office; Mary Staffopoulos and Carla Lopera – Office of General Counsel; Barbara Hobson – Legislative Services Division; Mike Weinstein, Angela Moyer – Finance and Administration Department

Meeting Convened: 9:01 a.m.

Chairman Howland convened the meeting and the attendees introduced themselves for the record.

Page references from this point refer to Auditor’s Budget Hearing #4 – Independent Agencies handout.

Jacksonville Port Authority

Beth McCague, Chief of Staff at JPA, said Jaxport is the leading container port in Florida and one of the top ports in the country for vehicles. This year the authority is proposing its largest capital budget ever, over \$420 million, with most of the funding coming from non-City sources (state and federal grants, port tenant private investment). Heather Reber of the Council Auditor’s Office reviewed the proposed budget.

Motion: on p. 14, tentatively approve Auditor’s recommendation, at the request of JPA, to attach a Revised Schedule J (Capital) to increase the Tenant Contribution amount for the Auto Processing Facility Development project by \$10,000,000 from \$104,350,000 to \$114,350,000 for a total project amount of \$130,000,000 and additional changes to Schedule J to change the column title “Paygo” to “JPA Operating Funds”, correct scrivener errors, and include formatting changes for consistency purposes –

Chairman Howland asked about the improvement in cruise business traffic and revenue growth. Ms. McCague said that the cruise business is going very well and has a very high margin with relatively low costs. She said that 5 new container lines have started calling on Jaxport and larger ships are visiting since the dredging project completion, so that accounts for the growth in projected container revenue. With regard to the new fire station on Blount Island, Ms. Reber said that the budget contains only \$2 million of the \$6 million needed for the project; Fire Chief Keith Powers is identifying sources to reallocate funds from other fire station projects to provide the remainder of the needed funding for this project.

The motion was approved unanimously.

Jacksonville Aviation Authority

Ross Jones, CFO of JAA, introduced management team members in attendance. He said their increased budget is a response to rapid passenger growth; FY23 will likely have the highest passenger traffic the authority has ever seen at JIA which is both good and bad. Revenue is up substantially, but parking availability is problematic, and they are planning for a new parking garage to meet that need. The authority will be opening the new Boeing hangar at Cecil Airport this fiscal year and making needed facility improvements at the general aviation airports.

Motion: on p. 28, tentatively approve Auditor's recommendations as follows:

1. At JAA's request, increase the Customer Facility Charge Revenue by \$1,100,000 based on updated projections for FY 2023/24. This increase in revenue will reduce the amount needed from Retained Earnings to \$47,867,560. Attach a Revised Schedule G to the Budget Ordinance to reflect the requested change.
2. Attach a Revised Schedule H to the Budget Ordinance, which offers more line-item detail of FY 2023/24 capital projects.

CM Carrico asked about the financing strategy for the JIA Terminal B project. Mr. Jones said the \$200 million line of credit in the budget will pay for the initial construction costs until such time as the market is favorable to fix out the long-term financing at a favorable interest rate. CM Peluso asked for a personal briefing at a later date about the JIA Terminal B project and asked why the new terminal will only produce 6 new gates. Mr. Ross said Phase 1 of the project is the rebuild of the TSA screening area currently ongoing, Phase 2 is work on the tarmac and taxiways around Terminal B, and Phase 3 will be the terminal itself and the new gates. The authority believes 6 new gates will serve the authority's needs for 10 to 15 years, and that terminal will be expandable to add additional new gates in the future as needed. CM Boylan asked for information on the authority's continuing contracts, their length and any regular CPI adjustment terms.

CM Freeman asked about the reason for elimination of complimentary parking for City Council members when they travel on City business. Mr. Ross said an FAA regulation on "revenue diversion" prohibits revenues at FAA-fund airports from being diverted for uses off of airport property, including allocation to local governments, and free parking for government officials could arguably be considered "diversion" so the practice has been discontinued. Mr. Freeman suggested that the Council could budget for that purpose with City funds so as not to run afoul of the FAA restriction. Mr. Ross said the cost for that complimentary parking is very low, perhaps \$1,000 a year. CM Lahnen asked for an explanation of free airport parking for disabled veterans; Mr. Ross said he will provide Mr. Lahnen with additional information.

Chairman Howland asked about the growth in operating revenues and about the new customer facility charge on rental cars of \$4 per day. Mr. Ross said JIA was one of only 2 of the 18 commercial airports in Florida not to have that charge. Mr. Howland noted that because of FAA regulations, JAA cannot provide

any dividend from its operational revenues to the City, even though the authority is owned by the City. The Chair asked why JAA needed to implement the new rental car surcharge fee of \$4 per day given the authority's very good operating margin last year. Mr. Ross said that the authority has huge capital needs over the next decade and those operating revenues will pay for a large percentage of that. He explained the nature of the contracts with the airlines that make them responsible for the terminals and airfield costs so that the City has no financial responsibility for those costs even if airport revenues fall (such as during another pandemic, for example). Pursuant to the FAA regulations, the City has no financial responsibility for the authority but also cannot benefit financially from airport operations.

The motion was approved unanimously.

JEA

JEA CEO Jay Stowe said JEA's budget is strongly focused on serving the community's needs. Heather Reber reviewed the proposed budget. In response to a question from Chairman Howland, Ms. Reber said that the JEA pay for performance plan information is provided for information only and does not need Council approval.

CM Carrico asked about septic tank replacements. Mr. Stowe said that several projects are underway and there is a list of prioritized subdivisions for future projects. As projects are completed and the next project is ready, the City and JEA determine how to fund the next one on the list. A dedicated funding source would be helpful to the process so that it is not a continual search for case-by-case funding. In response to a question from CM Pittman, Mr. Stowe said the average cost of septic tank replacements is \$60,000 per household; there is a program by which property owners who sign up early to have their septic system removed don't pay a tap-in fee. At the request of CM Gaffney Jr., Mr. Stowe described how the pay for performance plan works and described the stretch goals that need to be met. CM Matt Carlucci asked about the progress of expenditure of the \$100 million the City Council appropriated 2 years ago for septic tank projects; Mr. Stowe will provide that information offline. Mr. Carlucci asked about the use of alternative, less costly methods to remediate septic tanks. Mr. Stowe said that they evaluate alternatives depending on the conditions of each neighborhood. They have looked at systems that use small pumps at each property in place of gravity systems which save some costs in the installation process but add more cost and complexity in other ways, including the need for continuous electric service.

CM Joe Carlucci asked if a portion of the independent agency investment income comes back to the City. Ms. Reber said it does not, as they are investments of the independent authority funds. CM Peluso asked about JEA's plans for "green" power usage. Mr. Stowe said their goal is an 80% reduction in carbon emissions by 2030, but they can't make a hard and fast commitment to that because the power generation field is changing so rapidly and new but unproven technologies are emerging. Mr. Peluso asked about the increase in the water connection fees; Mr. Stow said they have increased substantially over the last 2 years because of the increased systems demand caused by development. JEA balances how much of that cost should be borne by new development versus by current customers. Mr. Peluso asked about the future of the Northside Generating Station. Mr. Stowe said the plan is to retire the natural gas unit by 2030 and keep the coal and pet coke unit primarily as backup generating capacity.

CM Boylan asked for an update on Plant Vogtle and its impact on the budget. Mr. Stowe said Unit 3 started commercial operation on July 31, Unit 4 had fuel loaded yesterday so will start commercial operation in spring of 2024. Together they will produce 200 MW of carbon-free power for JEA. The plant's construction came in vastly over budget so the cost will be high for the power, but over the next several decades it will be a valuable asset for meeting JEA's green power generation goals. In response to another question, Mr. Stowe addressed the growing importance of transmission lines as more power is purchased from other generators via the power grid. Electric use is growing with the increased sale of

electric vehicles and the like and that will require more transmission resources, which can be difficult to locate because people don't want the lines near their homes or businesses.

In response to a question from Chairman Howland, Mr. Stowe described the authority's fuel cost hedging practices and how changing fuel costs are charged to customers. CM Gaffney Jr. asked about what programs are in place to help customers who can't afford to pay their bills. Mr. Stowe said that JEA manages its costs such that it has the lowest combined electric and water/sewer rates of any jurisdiction in Florida, which benefits all customers. He listed the variety of financial assistance and energy conservation programs the JEA offers to customers. CM Pittman asked about JEA's fleet management needs. Mr. Stowe said that they have ordered all the equipment they need but supply chain and auto industry issues make getting timely deliveries problematic. JEA is in the process of gradually electrifying its fleet. Ms. Pittman asked how many headquarters staff have returned to the office. Mr. Stowe said JEA has a policy of employees working where they work best, which may be remotely, in the office, or a combination of both. CM White asked Mr. Stowe to assign Kurt Wilson to be a member of his working group spun off from the Special Committee on JSO Primary Facilities to talk about the infrastructure needs of the Police Memorial Building and the pre-trial detention facility. CM Freeman asked about JEA's participation in broadband efforts. Mr. Stowe said JEA has 2 pilot projects on installation of fiber for JEA's operations and is considering the viability of leasing some of that capacity for commercial use. Part of that depends on how JEA decides to upgrade its electric system and what infrastructure that will require. CM Boylan said that the JEA charter was amended several years ago to require the authority to get Council approval to get into new lines of business.

Streets and Highways 5-year Road Program

CM Lahnen asked if there is an expiration date for the portion of the local option gas tax supporting this program. Kim Taylor said the division of the revenues between the City and JTA has changed over time and she will research the tie of that revenue to these projects.

Local Option ½ Cent Transportation Sales Tax

Motion: on p. 69, tentatively approve Auditor's recommendation to decrease Local Option Sales Tax revenues by \$3,710,677 to better align with the revenues received by the City in recent months. This will be offset with a reduction in distribution to JTA – **approved unanimously**.

Local Option Gas Tax

CM Matt Carlucci asked about the progress of the Emerald Trail project, some of which is being funded by local option gas tax funds. Ms. Taylor said that would be covered in the upcoming JTA budget discussion.

Jacksonville Transportation Authority

Greg Hayes, CFO of JTA, said the authority is in year 2 of its 5-year mobility plan. The capital budget is very robust at \$69 million. Fitch has upgraded JTA's bond rating from AA- to AA, and the Deloitte consulting firm has reviewed the authority's budget and capital plan and found them to be sound.

Motion: on p. 93, tentatively approve Auditor's recommendations as follows (these changes will also be reflected on Revised Schedules O and P):

1. In the JTA's revised operating budget:
 - a. Decrease the Local Option Gas Tax revenue in the Bus Division by \$823,901 to bring JTA's budget into agreement with the City.
 - b. Increase the Net Sales Tax – Operating revenue in the Bus Division by \$4,550,947 to bring JTA's budget into agreement with the City.

c. Increase the Contingency expenditure in the Bus Division by \$3,727,046 to balance JTA's budget due to the net increase in tax revenues.

d. Increase the City of Jacksonville (Paratransit Revenue) and the Contingency expenditure in the Connexion Division by \$46,018 to be in agreement with the City budget and balance the budget.

e. Increase the Travel/Training/Dues expenditure and decrease the All Other/Miscellaneous expenditure in the General Fund by \$30,650 to correctly budget for travel expenses.

2. Increase the JTA Local Match revenue for JTA's capital budget and increase the amount for LOGT II Projects in the General Fund by \$2,298,917 to bring JTA's budget into agreement with the City. This will require attaching Revised Schedules Q and R to the budget ordinance.

3. Amend the Budget Ordinance language related to JTA to reflect a revised sales tax revenue budget amount of \$107,148,276.

CM Peluso asked if the local option gas tax could be used for purposes other than the U2C project. Mr. Hayes said that JTA has an agreement with the City to perform 17 projects of a variety of types and it's possible to move the U2C further down on the priority list until it is ready for construction. CM Pittman asked about the JSEB participation in the gas tax projects. Mr. Hayes said JTA has a long history of utilizing small and minority businesses in its projects. They will be holding a summit meeting next month to tell the development community about their 5-year plan and how businesses can participate. Ms. Pittman said that JTA is a national leader in transit and she highly recommended that council members visit and tour the autonomous vehicle testing facility on Armsdale Road near the airport. CM Peluso asked if the \$3 million capital allocation is for the autonomous vehicle service building proposed for LaVilla; Mr. Hayes said it is not specifically allocated to that project. The Bay Street Innovation Project has a variety of funding sources.

CM Freeman said he has previously asked for the council to get an annual update on the progress of the 17 gas tax-funded projects for the council to be able to easily track their progress. Mr. Hayes said JTA would provide that information, and noted the availability of the JobsforJax online dashboard. Mr. Freeman noted that Duval County Public School middle and high school students can ride JTA buses for free. He also asked for information on JTA's participation in workforce development and small business participation. CM White asked how many bus drivers are needed to operate the system on a weekday. Mr. Hayes said the system operates based on the number of drivers they have day by day; they have recently increased pay to \$20/hour to help keep drivers once they're hired and trained. CM Boylan pointed out a line item of \$3 million for sidewalk construction funded by a federal grant. Mr. Boylan noted a situation in Mandarin where there are 4 public and private schools in very close proximity to each other that produce a tremendous traffic problem in the morning and afternoon. He questioned if JTA could help that situation by providing a transit solution from a nearby park-and-ride lot.

CM Matt Carlucci asked about the progress of the Emerald Trail project. Mr. Hayes said that approximately one-quarter of the local option gas tax revenue is allocated for the Emerald Trail. JTA has met extensively with Groundworks Jax on planning the project and seeking grants. The 3-party memorandum of understanding has been worked out and has been signed by Groundworks Jax and JTA and is awaiting signature by the City following the mayoral transition process. Mr. Hayes said JTA has brought the director of the Atlanta Beltline trail to Jacksonville to tour the Emerald Trail and offer advice and best practices. CM Peluso asked why JTA is involved in the Emerald Trail and why either JTA or Groundworks Jax isn't doing the project itself without a complicated multi-party cooperative agreement. Chairman Howland asked about the use of contingency funds by the independent authorities.

The motion was approved unanimously.

The hearing was in recess from 11:57 a.m. to 12:15 p.m.

Page references from this point refer to Auditor’s Budget Hearing #4 handout.

Downtown Vision Inc.

Kim Taylor reviewed the proposed budget. CM Lahnen asked if the DVI area encompasses the entire DIA area. DVI CEO Jake Gordon says it does not incorporate the Sports Complex area or all of LaVilla. CM Joe Carlucci asked about the cost of special events. Mr. Gordon said that staff costs are going up because of the size of the events and they don’t raise any revenue from the events. Corporate sponsors cover most of the costs of the events. No new events are being planned for the upcoming fiscal year, but DVI hopes that other promoters will step up and start new events of their own. The boundary expansion has increased the number of assessment-paying entities from 600 to almost 1,600. CM Carrico asked if there are plans to expand east to the Sports Complex area; Mr. Gordon said they might be interested if property owners in that area wanted to see the service expanded there. CM Pittman asked if DVI’s equipment and vehicles are sufficient to meet their needs. Mr. Gordon said they acquired a lot of equipment when the assessment boundary expanded and new staff was hired. CM Boylan asked how important downtown housing is to DVI’s success. Mr. Gordon said that homelessness is one of downtown’s biggest problems and is a deterrent to people wanting to come downtown. DVI is happy to be a part of the solution since they have personnel on the street every day. Chairman Howland asked if the DVI model could be exported to other urban neighborhoods; Mr. Gordon said it could and DVI would be amenable to sharing its experience and best practices.

Downtown Investment Authority

Lori Boyer, DIA CEO, introduced members of her team in attendance. She pointed out the \$1.3 million in supervision allocation attributable to the community redevelopment areas. Hiring is problematic. All downtown parking meters have upgraded from 3G to 4G service at no cost. The Rivers Edge development’s public infrastructure will be almost completely funded in the upcoming budget, freeing up funds for other projects thereafter. The MPS garage settlement produced a net \$4 million savings to the DIA which can be used for other projects as well.

Kim Taylor reviewed the proposed budget. She noted that the City’s funding pattern for economic development incentives has swung from funding them immediately when approved to funding them only when needed after construction begins or is completed. DIA has several large incentives coming due in the next several years, so consideration needs to be given to possibly allocating some funding toward those incentives over time to build up a fund for large obligations. That may be especially relevant given the other potential large City funding needs (stadium reconstruction, new jail, etc.) being discussed.

Downtown Northbank CRA

Ms. Boyer made 2 requests:

- 1) Move \$500,000 of unbudgeted parking revenues to Shipyards West Capital (increasing it to \$6.5 million).
- 2) Appropriate the \$250,000 in Northbank TIF funds lapse that will revert to General Fund at the end of FY22-23 to the Downtown Economic Development Fund as part of the FY23-24 budget.

Motion: approve DIA’s two amendment requests.

CM Freeman asked if the DIA board addressed the idea raised in the NCSPHS meeting this week about issuing an RFP for management of the City’s parking garages. Ms. Boyer said they have, and the board instructed staff to begin preparing an RFP. Mr. Freeman reiterated his concern previously expressed in other meetings that the DIA may not be the proper place for parking management which may more

properly belong in another department or agency more focused on transportation than on economic development. He cautioned that the City takes a long time to draft and issue RFPs.

The motion was approved unanimously.

CM Pittman asked for an update on the downtown scooter program. Ms. Boyer said this year is the first year of full operation of the contract with the 2 operators following the earlier pilot project. Management of the scooter program was assigned to DIA because that is where public parking is located and they have parking enforcement officers who could enforce scooters as well. CM Pittman asked about JSEB participation in downtown projects and requested a quarterly report on their participation. Ms. Boyer said there has been very substantial participation in several of the biggest projects and she will provide information on usage and on areas where there don't appear to be any JSEBs in the marketplace.

Downtown Southbank CRA

Motion: on p. 15, tentatively approve Auditor's recommendation that the \$25,000 for Waterfront Enhancement be moved to a Southbank Activity (00001651); it was incorrectly budgeted in a Northbank Activity – **approved unanimously.**

Office of Economic Development

Chairman Howland asked about the current status of the Jinko Solar incentives. Ed Randolph said he understands that the company is still in the process of expanding its facility and will be hiring when the building is complete without incentives. CM Lahnen asked if there is a listing of approved economic development incentives for non-DIA projects similar to the list of DIA incentives. Mr. Randolph said there is. Kim Taylor said that non-DIA incentives are budgeted as they are approved, so there is a record of them.

Neighborhoods Department

Chiquita Moore, Acting Operations Director for the department, introduced management team members in attendance. CM Lahnen asked for information about the Jacksonville Community Land Trust. Ms. Moore said it is a mechanism to promote affordable housing by the Trust owning land, building a home on it, and leasing the home to a tenant on a 99-year lease that can be mortgaged without factoring in the cost of the land. CM Carrico asked about the relationship between Animal Care and Protective Services and the Humane Society; Ms. Moore said it is very good and the society voluntarily house more animals than their contract provides for. Chairman Howland asked for a description of the mission of the Housing and Community Development Division. Ms. Moore said that it is a grant-making organization and is a facilitator for affordable housing development. Travis Jeffrey, Acting Chief of Housing and Community Development, said that the new affordable housing position created by Mayor Deegan is located in his division. CM Pittman asked how CDBG funds are being used and if those funds being allocated for capital purposes (i.e. sidewalk repairs) could be replaced with other capital funds. CM Boylan asked about the status of an email received by several council members from an organization seeking help with sheltering feral rabbits. Acting Department Director Al Ferraro said that Animal Care and Protective Services is not set up to deal with rabbits at its animal care facility.

Jacksonville Housing Finance Authority

Travis Jeffrey briefly described the various programs the authority administers in support of the development of affordable housing. Ms. Taylor said the revenue in this fund is not General Fund dollars.

Motion: on p. 42, tentatively approve Auditor's recommendations as follows:

1. Correct Total Personnel to state \$107,154 instead of \$107,155 and add \$1 to Miscellaneous Services & Charges expense to balance the budget.

2. Authorize Auditor's Office to correct account names on the schedule.

Mr. Jeffrey described how a change in state law several years ago allowed the JHFA to be more selective in choosing which developers to assist to leverage the best possible affordable housing projects rather than having developers being chosen by random draw. Mr. Jeffrey said his division is supportive of the bill pending before Council to make the JHFA more of an independent authority.

The motion was approved unanimously.

Council member Lahnen said he will be out of the country next week and therefore unable to attend the final budget hearings. He made the following comments for the record for the committee's consideration during the wrap-up session next Friday:

- The Supervisor of Elections' request for additional vote tabulation machines has already been addressed by the committee;
- Additional funding for library materials – he supports enhancement of that budget by \$500,000 to \$1 million;
- ARP use – he supports using ARP funding in the CIP for pay-as-you-go to the extent possible;
- Stadium improvements – he favors only making absolutely necessary improvement so as not to be paying for improvements that will be demolished in a couple of years;
- Tax Collector wage increases – he favors waiting for administration's salary equity study to be complete and encourages fair treatment across all departments;
- Enhancement request – Mr. Lahnen said he has submitted a request for funding to assist UNF with the start-up costs for a cybersecurity program.

Meeting adjourned: 2:07 p.m.

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