



Taxation, Revenue, and Utilization of Expenditures (TRUE) Commission

Dr. Keshan Hargrove, Chair

TRUE COMMISSION PRELIMINARY MINUTES

*(Note – these minutes are unofficial until reviewed and approved
by the TRUE Commission at a future meeting)*

March 7, 2024

4:00 p.m.

Don Davis Room, 1st floor, City Hall

Attendance: Commissioners Keshan Hargrove (Chair - arr. 5:03), Charles Barr (Vice Chair), Ramon Day, Tony Zebouni, Bruce Tyson, Daniel Henry (arr. 4:10), Kim Pryor, Andrea Letizia

Excused: Velma Rounselle

Absent: None

Also: Jeff Clements – City Council Research; Tommy Carter – Council Auditor’s Office

Vice Chair Charles Barr convened the meeting at 4:00 p.m. and the attendees introduced themselves for the record. Mr. Barr welcomed new commissioner Andrea Letizia to her first commission meeting.

Approval of minutes

The minutes of the February 8, 2024 commission meeting were **approved unanimously as distributed**.

Public Comment

None

Council Auditor’s Report

Tommy Carter of the Auditor’s Office reported that 1 report has been issued since the last commission meeting:

#880 Quarterly Summary for the Three Months Ended December 31, 2023 (Issued 02/14/24)

JEA is projecting a balanced budget, but a budget amendment will be needed to reflect use of \$28.2M for capital expenditures for electric projects coming from surplus revenues from the prior year. The utility is not expecting to exceed budget appropriation but will have to come to Council for approval to use funds from a reserve account. The water and sewer system will also take \$16.1M from reserves for capital projects, requiring a budget amendment. The district energy system will need a budget amendment if the current projections remain through the end of the year for expenditure of \$221,571 over authorized budget.

JTA expects no overall budget stress but will need a budget amendment for the Connexion community transportation system which is projected to be \$2.09M over budget for contractor services and fuel.

Revenue would be transferred from the Bus Division where there is a \$4M contingency fund. The Ferry Division projects to be \$203,000 over budget due to fuel costs, which will need to be covered by a transfer from the Bus Division.

JPA anticipates no budget stress and projects a \$2.5M surplus due primarily to higher cruise and auto revenues and investment income.

JAA projects a \$17M surplus mostly due to reduced debt service because of the delays in the start of the JIA Concourse B and parking garage projects and the paving of a Cecil Airport taxiway.

The City's General Fund projects a \$25.4M favorable revenue variance due to higher property tax revenues due to increasing property values, Fire Department EMS transports, and utility service tax collections. The state-shared ½ cent sales tax revenue is projecting a negative variance of \$7.5M while other state shared revenues will largely balance that. Unfavorable variances are projected in franchise fees and charges for services, especially in JSO secondary employment due to a new private manager contract. There is an overall favorable variance of \$19.7M projected in General Fund expenditures. A large portion of that is JSO's projected \$13.1M favorable variance, mostly due to vacancies and internal service charges. Unfavorable variances are projected in Citywide Activities due to salary lapse factors, the Mayor's Office (\$182,000 in salaries and security costs), and the Ethics Office (\$2,880 due to part-time salaries).

Commissioner Henry asked about ASM Global contract compliance. Mr. Carter said that was discussed in the ASM Global Contract Subcommittee meeting prior to the full commission meeting and the administration and ASM are meeting and talking about better contract management. Commissioner Day asked if those are public meetings; Mr. Carter said not to his knowledge because they are internal management meetings.

Commissioner Pryor asked about JEA's projected favorable variance of almost \$40M and why the utility would be talking about rate increases if that is the case. Mr. Carter said he is not very familiar with JEA's operations but most of the favorable variance in the electric operation is due to the base fuel rate. An over-recovery there will be used for future fuel purchases and natural gas prices have been lower than budgeted so that helps with expenditures. A rate change is a JEA board decision. Ms. Pryor asked about requirements for utility reserves. Mr. Carter said he believes there are statutory requirements and Mr. Day mentioned bond covenant reserve requirements. Mr. Day said a \$50M variance on a nearly \$2B budget is just 2.5% of revenues, so a very small percentage. JEA's total assets are over \$8B. Commissioner Tyson asked about the St. Johns River Ferry; Mr. Carter said it's run by JTA. Mr. Tyson said the company that JTA hired to operate the has filed for bankruptcy and wondered if that would have any impact. Mr. Carter said news reports he's seen say they plan to keep operating the ferry while reorganizing. If the company pulled out of that contract, then the City would need to find a new operator.

Mr. Henry asked about a bill pending in the Florida Legislature (HB 1301) that would impact on JTA's administrative expenses. He thought it had passed the House but wasn't sure about the Senate. Mr. Carter said it would impose a requirement that JTA's general administrative expenses could not exceed the average of the administrative costs of other Florida transit agencies in the same size tier by more than 20%.

Commissioner Pryor asked about the sales tax negative variance; Mr. Carter said it is in the state-shared county sales tax and they started noticing a slight decline in that revenue during the budget hearings last year. He noted that there would be differences in what that sales tax generates from the other local option sales taxes because the state shared sales tax is collected by the state and distributed differently from a

county-specific tax. Mr. Carter said this was just the first quarter projection and conditions may change substantially as the year goes on. The negative variance is just a projection at this point.

Legislative Tracking Committee

None

Audit Committee

None

ASM Global Contract Committee

Heather Reber of the Council Auditor's Office provided information on the contract, saying ASM and the City are in discussions about proper contract oversight. Commissioner Zebouni said there is a monthly reporting requirement in the contract that should be followed and procedures for what to do when there are budgetary variances. There should at least be notice to the City before money is spent over budget so that the City can explore options for how to deal with that. It appears there is no fixed point of contract management on the City side. Mr. Henry said he expressed concern last year when the SMG contract was in the process of being transferred to ASM Global and extended for 5 additional years. Mr. Zebouni said the contract doesn't address management on the City side, only ASM's responsibilities and reporting requirements. The contract recognizes that sometimes things happen outside the company's control and that's what the reporting is about so the City has notice and can react. He quoted from the contract regarding the requirement to report the need for exceeding the budget, which gives the City options for how to respond. Ms. Pryor said it seems the City does not do a good job of monitoring its contracts. Mr. Zebouni asked staff to obtain copies of the last several ASM monthly reports to identify when the overage occurred and when the City was first notified.

Chair's Comments

None

Old Business

None

New Business

Commissioner Pryor gave an example of the City's shortcomings in contract management citing the City's practice of giving away property for affordable housing purposes, which is supposed to be developed within 2 years. She knows of several examples where properties were given 4 or 5 years ago and nothing was ever done. She knows of other instances where properties have been flipped to investors rather than used for the original purpose or returned to the City. Commissioner Day suggested directing questions to Audrey Gibson who is the City's new Grants and Contract Compliance Manager.

Commissioner Henry said the City doesn't have an office of contract management, each department does its own contract management, outside of grants and direct contracts which are overseen by the office to which Ms. Gibson has been appointed. Commissioner Zebouni said he knows that property conveyances from the City come with reverter clauses and his company had experience with such a clause clouding a title during a pending sale, with the owner ending up paying the City for the reversion rights. Ms. Pryor said there are non-profits that contract to do something, don't do it, and then buy the property at a discounted rate, which is unfair. Mr. Henry suggested that she provide information on one or two specific instances so that the Real Estate Division can be questioned about what's happening. Mr. Day suggested asking for a list from the Real Estate Division of properties given away for affordable housing and what has happened to them.

Motion (Day) – the TRUE Commission will ask the Real Estate Division for information on properties donated to non-profits over the last 5 years and request documentation of whether they have fully complied with the conditions of the donation.

Motion (Day) – restate the previous motion to ask the Real Estate Division specifically for information on Grace and Trust Community Development Corporation affordable housing properties in Springfield, their current status, and their compliance with terms of their donation.

Ms. Pryor said the division should know what the terms are and should be asked to specifically say what happened with each, not just ask generally if they have complied.

The restated motion as approved unanimously.

Commissioner Comments

Commissioner Zebouni said he will speak with representatives of Associated Builders and Contractors and the Northeast Florida Homebuilders Association to ask them to comment on the Procurement Manual re-write at the June meeting. He also suggested inviting Dustin Freeman, Chief of the Procurement Division, to address the commission at the April meeting on his progress in the re-write process. Commissioner Day said he would get in touch with representatives of the local chapters of the Fraternal Order of Police and the International Association of Fire Fighters about coming to address the Commission at a future meeting about contract negotiations.

The commissioners welcomed Andrea Letizia to the commission.

Commissioner Pryor asked about commissioner sentiment on the possibility of using City pension funds for stadium renovations; she thinks it's something the TRUE Commission should probably understand and comment on. Mr. Day said current interest rates in the market (3.5-4%) are lower than what he's heard about borrowing from the pension at 6.5%, even despite the savings in bond issuance costs by borrowing from the pensions. Mr. Henry said City negotiator Mike Weinstein stated at the recent Finance Committee meeting that there is no proposal yet, so everything on that concept is speculation at this point. He also said that both parties would have the right to call the bonds at any time if financial conditions changed and something else made more sense.

Commissioner Letizia said she works in accounting for VyStar Credit Union now and had a long previous history in a public company doing budget variance analysis. She is a CPA and loves budgets.

Next meetings

Audit Committee – at the call of the Chair as needed when new audits/reports are released

Legislative Tracking Committee – at the call of the Chair as needed

Full commission – April 4, 2024 – Dustin Freeman re: Procurement Code re-write

The meeting was adjourned at 5:03 p.m.

Jeff Clements, City Council Research Division

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Posted 3.12.24 4:45 p.m.