



OFFICE OF THE CITY COUNCIL

117 WEST DUVAL STREET, SUITE 425
4TH FLOOR, CITY HALL
JACKSONVILLE, FLORIDA 32202
904-255-5137

FINANCE COMMITTEE BUDGET HEARING #4 MINUTES

August 16, 2024
9:00 a.m.

Location: City Council Chamber, City Hall – St. James Building

In attendance: Council Members Ron Salem (Chair), Raul Arias, Rory Diamond, Nick Howland, Will Lahnen, Ju’Coby Pittman

Excused: Council Member Freeman

Also: Council Members Randy White, Joe Carlucci (arr. 11:48), Michael Boylan (arr. 1:15); Kim Taylor, Brian Parks, Heather Reber - Council Auditor’s Office; Mary Staffopoulos, Shannon MacGillis – Office of General Counsel; Merriane Lahmeur, Steven Libby – Legislative Services Division; Darnell Smith, Karen Bowling, Joe Inderhees, Brittany Norris, Scott Wilson, Bill Delaney – Mayor’s Office; Anna Brosche, Angela Moyer – Finance Department

Meeting Convened: 9:02 a.m.

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

All page references from this point refer to Council Auditor’s Meeting #4 – Independent Agencies handout.

Jacksonville Aviation Authority

Council Member Howland asked about JAA’s current cash on hand balance. Ross Jones, CFO of JAA, said about \$300M, including reserves, which is in line with major airports. Those reserves will be allocated to capital infrastructure projects over many years. Mr. Howland suggested that the cash balance appears to be very high, and he and JAA CEO Mark Van Loh have had discussions about ways that JAA could provide some financial assistance to the City. He understands that the Federal Aviation Administration regulates the authority’s revenue uses and wants to have a meeting with JAA and FAA about what might be possible. He is particularly interested in doing something with FSCJ and JAA regarding workforce development and in exploring the possibility of getting some JAA funding for the JEA Dames Point power line elevation project due to its impact on JaxEx at Craig Airport. Mr. Jones said he will arrange that meeting.

Council President White asked if JAA could contribute \$74,200 to help the Fire and Rescue Department pay for the disposal of expired aviation firefighting foam. Mr. Jones said JAA has agreed to pay the cost of replacing the foam supply at Cecil Field. Council Member Arias asked how much JAA gets in federal funding per year; Mr. Ross said it varies depending on the amount of capital project grants. Mr. Ross said federal law prevents the JAA or any federally funded airport from contributing any revenues to their local government – revenue diversion is prohibited. Council Member Arias said JIA’s parking rates are very low compared to other Florida airports and increased rates could produce more revenue that might be shared with area non-profits in some way. Chairman Salem said the JAA’s employee and CEO incentive plans seems very reasonable. He asked for details about how the shift to a self-insurance plan was determined. Mr. Ross said they have gone to self-insurance just for property coverage. Chairman Salem asked if the new parking garage will solve the ongoing parking problem at JIA. Mr. Ross said they will be adding 2,000 spaces in a new garage and have expanded surface and long-term parking spaces. These projects should solve the parking problem for at least 5 years.

Motion: on p. 13, tentatively approve Auditor’s recommendations as follows:

1. We recommend that a Revised Schedule G and Revised Schedule H be attached to the Budget Ordinance due to the following:
 - a. JAA has requested that the project Boeing Facilities Assessment in the amount of \$300,000 listed on the Capital Schedule for Cecil Airport be removed due to inadvertently including the project in the budget. This will reduce the Transfer to Operating Capital Outlay shown on the operating budget from \$17,478,000 to \$17,187,000 and to balance the operating budget the Transfer to Retained Earnings will be increased from \$40,284,076 to \$40,584,076. Then the Cecil Airport projects on Capital Budget will reduce from \$900,000 to \$600,000 for a Total Capital Budget of \$31,997,000.
 - b. The Operating Budget will need to reflect the corrected revenues and appropriations totals as \$178,311,034.
 - c. Include a more detailed capital project listing.

The motion was approved unanimously via a voice vote.

Jacksonville Port Authority

Council Member Lahnen asked if there’s still a strong business case for raising the JEA power lines over the river at Dames Point given the new, vastly higher cost. Eric Green, CEO of JPA, said the ROI is still 3.5:1 so the project is worth doing. Mr. Lahnen asked if the City grant for that project is still needed in next budget year; Joey Greive, CFO for the JPA, said it is. The project is in design and should be completed by the end of 2026. Mr. Lahnen asked to be involved in revising the business case for the line raising project since that is his area of expertise. Council Member Diamond praised the JPA’s work. President White asked for an update on the new Blount Island fire station construction project. Mr. Greive said JPA got \$6M in federal funding and the station should be completed by the end of 2026. He thanked President White for helping to get the federal funding. Mr. White said it will move the fire station closer to the entrance of Blount Island so its resources will be more available for off-site responses. Council Member Howland asked for JPA’s current cash balance – Mr. Greive said it is \$21M on a \$70M budget annual budget.

Council Member Pittman said she is excited by all the growth at the port and the addition of Norwegian Cruise Line as a port tenant. She asked about new employment related to the new ship. Mr. Green said it will be a half-year arrangement with the ship being here for 6 months and in Boston for 6 months. The same crews that serve the existing Carnival ship will also serve Norwegian and additional part-time labor will be hired as needed. Ms. Pittman asked about the port’s cranes. Mr. Green said JPA is unlike some other ports in that it maintains its own cranes and as a result has great operational success with those

cranes. The price for new cranes has increased because they now can't buy from some countries and have begun purchasing cranes from Europe. He said port security is mostly contracted out and is regulated by the Coast Guard. There is constant turnover because the pay scale is low. Council Member Arias asked about the discrepancy between revenue and expenditures. Mr. Greive said they took back a terminal from the private operator and will lease it out to others, so the imbalance is temporary and is balanced with lower pay-go capital for the year, so the authority won't have to tap reserves. Mr. Arias asked about plans to increase revenues. Mr. Green said the first couple of years of his tenure were devoted to getting internal operations under control. He and his staff are constantly recruiting new business internationally. Mr. Greive said they have a very diversified product line because sectors vary up and down. They and their tenants have several large capital projects coming online in the next couple of years that should help drive higher revenues. Chairman Salem noted that JPA has no employee incentive program.

JEA

Heather Reber of the Auditor's Office reviewed a new schedule created to show JEA's compliance with the debt ceiling imposed by Council via Ordinance 2023-724-E. Vicki Cavey, Interim CEO of JEA, praised the work of JEA employees during Hurricane Debby – 100,000 power outages were restored within 3 days and there were no wastewater overflows or water outages. She was extremely proud of the emergency response and cooperation of the City's entire Emergency Operations Center staff. Council Member Diamond asked about JEA's administrative reorganization. Ms. Cavey said they have eliminated 9 Vice President positions and are reallocating the workload. They are bringing in a business excellence consultant to look at everything and compare JEA to best-in-class utilities. Mr. Diamond asked if JEA could absorb Neptune Beach's water and sewer system. Ms. Cavey said they could if it also included Atlantic Beach, but not without both cities. Council Member Arias praised the Hurricane Debby response and speed. He asked about JEA's decision to pass on credit card fees on payments to customers and whether that decision means that they will resume taking American Express as a payment option. Ms. Cavey said they will research that. Mr. Arias said JEA's late fee revenue went up \$2.3M last year and asked if that is normal or unusual. Ted Phillips, CFO of JEA, said it is somewhat higher than normal. Mr. Arias asked for a 10-year history of that revenue, excluding the COVID years. Mr. Phillips said they have not raised the late fee. Council Member Howland thanked JEA for increasing its contribution to the City by \$15M this year. Mr. Howland asked about the authority's cash balance. Joe Orfano, Deputy CFO, said \$638M (\$500M electric operation, \$130M water/sewer operation, \$8M district energy operation) and they are planning to spend down about \$240M over the next couple of years.

Chairman Salem talked about the power line elevation project and said it has got to be done, the City has already done its part through its contribution, and Council will want to see progress happen. He echoed Mr. Howland's thanks for the extra \$15M contribution to the City and asked if the \$137M this year represents the new base. Ms. Cavey said that is correct. Mr. Salem asked about Plant Vogtle and the \$200+M annual debt service obligation going forward. Mr. Orfano said \$176M is the debt portion and is due pursuant to a "hell or high water" contract that provides no alternative to making the payments whether JEA takes any power from the plant or not. Plant Vogtle power will cost \$140 per MWh compared to \$37 per MWh for other sources. JEA has another contract with FPL for \$17M per year compared to \$176M for Vogtle. Ms. Cavey said when the Plant Vogtle contract was approved in 2008 it made perfect sense but has turned out to be a financial black hole due to unforeseen circumstances. She confirmed that JEA does not have an employee incentive plan now, but may consider something in the future. Mr. Salem said he was astounded to learn recently that 40% of JEA's customers have trouble paying their bills. Ms. Cavey said the utility is working with United Way to 1) spread information about energy conservation methods and 2) find resources to help customers in need.

Council Member Arias asked how much longer the Plant Vogtle contract runs – Mr. Orfano said 20 years. Mr. Arias asked about rate increases being contemplated and the impact on more people not being able to

pay their bills. Mr. Phillips said JEA has the lowest or second lowest cost in the state for combined electric and water/sewer bills and has to charge what is necessary to keep the systems viable and reliable. The operations and maintenance budget has remained flat from this year to next and they are always looking for more efficiencies. Mr. Arias suggested JEA should cover the credit card payment charges rather than shifting them to the customers. Mr. Phillips said JEA is considering ways to cost shift to reduce the burden on the lowest use consumers of services. Council Member Pittman said Lutheran Social Services and others have utility assistance programs. She thanked JEA for helping the families of the Dollar General shooting victims with their bills while family members couldn't work. She asked about progress on septic tank phase-outs. Joe Orfano said projects are still underway but it will be a long process. Ms. Pittman said she is satisfied with the degree of neighborhood input into that process and with JEA's outreach to the community.

Motion: on p. 68, tentatively approve JEA's request to remove the Vogtle Production Tax Credits in the amount of \$13,333,663 from the Fuel and Purchased Power Expense line of the Electric System's budget which will increase the expense. Due to the increase in the expense, a charge related to the Vogtle contract referred to as the buyers Additional Compensation Charge will be increased by \$1,653,000 within the Fuel and Purchased Power expense line, along with an increase of \$29,202 to Uncollectibles. This is a net increase to the Fuel and Purchased Power expense in the amount of \$11,709,865 and the Fuel Revenues will increase by the same amount to balance the budget; this will require a Revised C be attached to the Budget Ordinance –

Council Member Lahnen asked if this action would impact the rate increases discussed earlier. Mr. Phillips said it would not impact the base rate.

The motion was approved unanimously via a voice vote.

The committee was in recess from 10:54 to 11:15 a.m.

All page references from this point refer to Council Auditor's Meeting #4 handout.

Downtown Vision Inc. (DVI)

Motion: on p. 4, tentatively approve Auditor's recommendation to amend Section 8.3 of the Budget Ordinance to correct the anticipated revenues from the Assessment Roll to \$2,107,621

Council Member Lahnen asked about a recent appropriation of \$125,000 to DVI and how that impacted next year's budget. Jake Gordon, CEO of DVI, said there is carry-forward language in that ordinance to take the funding for the expanded ambassador program into next year. Council Member Diamond asked if Mr. Gordon had thoughts about what a revised Downtown Investment Authority might look like. Mr. Gordon said DVI will be supportive of doing things downtown and is ready to cooperate in any way, including taking on responsibilities for providing additional services if asked. Chairman Salem asked about the potential for a DVI role in assisting the Sheriff's Office with the responsibility for collecting the possessions of homeless persons in compliance with the new state law regarding the treatment and housing of homeless persons on the streets. Council Member Arias asked about DVI's participation in the Homeward Bound program that provides bus tickets to homeless persons wanting to leave Jacksonville to return to their hometown. Mr. Gordon said the funds are provided to them by JSO to distribute to users. Mr. Arias asked to see a detailed DVI budget to know what they're planning. Mr. Gordon said they don't finalize their budget until after the Council finalizes the City budget and their allocation, but are happy to share it with the Council thereafter.

Chairman Salem said the St. Johns County Sheriff has a very aggressive Homeward Bound transportation assistance program and has recommended that it be studied for application in Jacksonville. Council Member Pittman thanked DVI for its good work downtown and in the LaVilla area. She asked what DVI is proposing for dealing with the possessions of homeless people. Mr. Gordon said they haven't planned for that yet but anticipate they may be asked. They are also fine with the Sulzbacher Center doing that if that's the City's decision. Ms. Pittman said the approach needs to be compassionate for the needs of the homeless and recommended that the homeless be solicited for ideas about what they want and need. Council Member Lahnen asked for an update on the Riverwalk Sip and Stroll program. Mr. Gordon said they've had very positive feedback from the businesses involved.

The motion was approved unanimously via a voice vote.

Downtown Investment Authority

Council Member Arias said he would make a motion proposed by the DIA to be explained by Lori Boyer, Executive Director of the DIA.

Motion (Arias): appropriate \$250,000 of Operating Reserves to be transferred to the Downtown Economic Development account, which is intended to be returned from the Northbank CRA at the end of FY23-24 - **approved unanimously via a voice vote.**

Motion (Diamond): on p. 12, remove the \$1M allocation for Riverfront Plaza Restaurant

After some discussion Mr. Diamond withdrew his motion for discussion in a subsequent budget.

President White asked DIA to devise a solution to the problem of JSO undercover vehicles and JFRD vehicles getting parking tickets downtown when the employees are transacting business in City buildings. Ms. Boyer said she has a meeting scheduled for Monday with her parking enforcement staff to talk about what changes need to be made to accommodate the parking needs of those agencies, which may involve removal of parking meters and designation and signage of reserved parking zones for City vehicles.

Council Member Howland asked about the \$1M transfer from fund balance for Ed Ball Parking Garage maintenance and whether that is the exact amount needed. Ms. Boyer said Public Parking is supposed to be a self-sustaining enterprise fund and DIA is contributing its funds to the garage project which she suspects will be more than \$1M. Kim Taylor said any unused funds would revert back to their fund of origin. Council Member Lahnen asked if the funds have to be spent strictly on the Ed Ball Garage or if they could be used on any capital project. Ms. Taylor said it is designated for that particular project. President Salem said he hears constant complaints from downtown business owners that there are no available on-street parking spaces due to City vehicle parking and he hopes the Special Committee on the Future of Downtown will explore that topic.

Motion (Diamond): on p. 12, remove the \$1M allocation for Riverfront Plaza Restaurant from the Downtown Northbank CRA list of Plan Authorized Expenditures.

Council Member Diamond said he is philosophically opposed to government being in the restaurant business which should be a private sector function. Kim Taylor said if the motion is approved then the \$1M would move to DIA's Unallocated Plan Authorized Expenditures category for future allocation by the DIA board. Ms. Boyer said there are several riverfront restaurant funding proposals in the downtown area that are recommended as part of the Downtown Redevelopment Plan. If Council does not want investments in restaurants, then it should amend the Redevelopment Plan to remove that element. This particular restaurant parcel was specifically reserved in the Riverfront Plaza plan to ensure that a

restaurant is on the waterfront. Surveys have shown that to be one of the most desired items by citizens opining on downtown redevelopment. Funding for a restaurant building lease is common for CRAs and avoids the problems of selling sites or buildings to private developers and then having a problem with that entity later. A lease allows the City to replace a private operator that does not perform. DIA feels riverfront restaurants are vital to enlivening downtown. Mr. Diamond said not funding this restaurant doesn't require amending the Downtown Redevelopment Plan and believes the private sector will see the potential and put a nice restaurant where the City wants it. Council Member Arias said he would prefer to use the \$1M for other downtown incentive programs but does see the need for a restaurant in the park. Ms. Boyer said CRAs in other cities definitely invest in buildings for lease, not just infrastructure. Mr. Arias said the tenant in the building should be responsible for all build-out and maintenance, not the City. The City should give incentives, not pay to maintain buildings.

Council Member Lahnen said he opposes the amendment because the DIA board thinks a waterfront restaurant is important and any savings would stay in the Northbank CRA, not accrue to the General Fund. In response to a question from Council Member Howland, Ms. Taylor said the \$1M would fall into the DIA's Unallocated Plan Authorized Expenditures line and the DIA board could appropriate it to any allowable use, including a restaurant. Mr. Howland said he thinks with the downtown investments being made at the stadium and the Pearl District, a private restaurant developer may make the decision to build it themselves, so he favors cutting the \$1M. Ms. Boyer reiterated that if Council doesn't want DIA to consider building a restaurant building, an amendment to the Downtown Development Plan should be made to take that element out. Mr. Arias asked about incentives for restaurant development; Ms. Boyer said DIA already has programs, but the incentive process takes time. DIA wanted the restaurant built along with the park currently under construction for the sake of efficiency. DIA already has an architect doing design work and the \$1M would go toward construction, which will probably cost \$2.2M, the remainder of which would be covered by other available funds. Chairman Salem said he doesn't see the sense of building a building and then getting a tenant to fit into it rather than the other way around. He is uncomfortable with the concept and doesn't think a budget hearing is the proper venue for a deep discussion of this issue.

The Diamond motion failed 3-3 (Diamond, Howland, Arias in favor, Salem, Pittman, Lahnen opposed).

Downtown Northbank CRA Trust

Motion: on p. 14, tentatively approve Auditor's recommendation that Schedule V (the Budget Schedule in the Budget Ordinance for the Northbank) be amended to remove the FY 2023/24 approved amount column from the schedule – **approved unanimously via a voice vote.**

Downtown Southbank CRA Trust

Motion: on p. 19, tentatively approve Auditor's recommendation that the Southbank CRA schedule included in the Budget Ordinance (Schedule V) be amended to remove the FY 2023/24 approved amount column from the schedule - **approved unanimously via a voice vote.**

Lori Boyer said the restaurant on the Soutbank is a different situation from the one proposed for Riverfront Plaza on the Northbank. It will be part of the park design and would be leased by the City to a private operator.

The committee was in recess from 12:18 to 1:01 p.m.

Office of Economic Development

King/Soutel Tax Increment District Fund

Motion: on p. 23, tentatively approve Auditor’s recommendation that the Budget Ordinance Schedule for the King/Soutel CRA (Schedule T) be amended to remove the FY 2023/24 approved amount column from the schedule –**approved unanimously via a voice vote.**

Renew Arlington Tax Increment District Fund

Motion: on p. 26, tentatively approve Auditor’s recommendation that the Renew Arlington CRA Schedule within the Budget Ordinance (Schedule S) be amended to remove the FY 2023/24 approved amount column from the schedule - **s approved unanimously via a voice vote.**

Chairman Salem asked about the very small increase in the taxable value of property in the district. Karen Nasrallah of the Office of Economic Development said she was surprised by that as well. Council Member Howland asked when a CRA sunsets. Ms. Nasrallah said they have a 30-year maximum lifespan by state law. The JIA CRA ended this year after 30 years, while the Renew Arlington and King/Soutel CRAs were only approved for 20 years. Council Member Howland asked if CRAs can be extended or reenacted. Ms. Nasrallah said the state wants to see all CRAs closed out and doesn’t permit new ones or extensions. Mr. Howland asked if the percentage of the tax increment could be reduced from 95%; Ms. Nasrallah said she would have to review the statute but neither Renew Arlington nor King/Soutel generates much revenue now even at the 95% reservation rate. Mr. Salem asked OED to research if the two could be extended from 20 to 30 years at this point.

Council Member Diamond said he doesn’t believe that government should be in the business of choosing private sector winners and losers. Council Member Pittman asked if the administrative reorganization will move the JSEB into the Office of Economic Development; Economic Development Officer Ed Randolph said it will. Council Member Arias asked about the growth in OED staff. Mr. Randolph said several new programs are being started up and the office is absorbing JSEB and the Equal Business Opportunity office so their staff is growing to handle more functions.

Neighborhoods Department

Air Pollution Tag Fee

Council Member Howland noted that the budget zeros out the fund balance for this function and asked if it would need a General Fund subsidy next year. Melissa Long, Chief of the Environmental Quality Division, said she did not anticipate that a subsidy would be needed as the fee generally produces enough revenue to cover its costs.

Homelessness Initiatives Special Revenue Fund

Kim Taylor said all of the funding of \$2,640,000 in this fund is “below the line” and can’t be spent without further Council action. Darnell Smith, Mayor’s Chief of Staff, said the administration is prepared to present its case for the homelessness initiative in the normal committee process. Director Joe Cowan of the JSO Patrol and Enforcement Division talked about the new state law regarding dealing with the homeless sleeping on public property. JSO is preparing itself to do its part in enforcing that law, but he said changes are needed in the Ordinance Code to set parameters for how JSO is to operate in this regard. They will need to deal with things like storage of the personal property of homeless people which is currently limited to what will fit in a 10-gallon trash bag, so will not accommodate things like tents, bicycles, folding chairs, etc. Deputy General Counsel Dylan Reingold said he has drafted and submitted for introduction several amendments to the Ordinance Code to deal with enforcement of the state law.

Council Member Diamond asked Director Cowan what would be the best way to enforce the law and whether social service agencies should be involved to get the homeless connected to programs and to store their property when the last resort of arrest is reached. Darnell Smith said the law covers the entire county and the strategic plan and ordinance amendments deal with the whole county. The approach will focus on response by social worker case managers and JFRD EMTs to assess the mental capacity and health needs of the homeless before the Sheriff's Office gets involved as a last resort. President White said he will refer the Ordinance Code amendments to all committees for review and advocated for keeping the Mayor's allocation of \$10M for homelessness "below the line" and utilizing it as needed to be in compliance with the state law. Council Member Lahnen noted that there is over \$3M in homelessness funding in the budget apart from the \$10M to get the initiative started. Chairman Salem lauded the spirit of cooperation he has seen in recent days from the administration, DVI, JSO, the non-profit community, etc. with regard to dealing with this new law. Mr. Smith said the administration estimates that the homelessness initiative will cost \$13-15M, of which they are only asking for \$10M and will raise the remainder from the private sector. Council Member Arias said the City has been investing over \$10M a year in affordable housing and he agrees with sending the initiative to the standing committees for detailed review. Council Member Joe Carlucci cautioned that \$1M of the existing homelessness funding from the Mayor's transition plan has been committed to the JHFA which they will use as a match to leverage another \$1M. Mary Staffopoulos cautioned that the JHFA is in the business of incentivizing affordable housing and that is not necessarily the same thing as addressing homelessness. Further research will need to be done about the appropriateness of that proposed use.

Jacksonville Housing Finance Authority

Motion: on p. 64, tentatively approve Auditor's recommendations as follows:

1. On the JHFA Schedule included in the Budget Ordinance (Schedule N):
 - a. Correct rounding issues with the amounts on Schedule N as shown in the corrected budget previously shown.
 - b. Adjust the note to state that this only reflects the Administrative Budget of JHFA.
2. Correct Attachment A of the Budget Ordinance to reflect \$2,213 for Food and Beverage instead of \$1,750.
3. Correct Section 7.2 of the Budget Ordinance to remove reference to the portions of the salaries of Housing employees' costs covered by this fund.

The motion was approved unanimously via a voice vote.

Kim Taylor reviewed the meeting schedule for next week's three meetings.

Meeting adjourned: 1:58 p.m.

Jeff Clements - Council Research Division

jeffc@coj.net 904-255-5137

Posted 8.26.24 4:30 p.m.