



OFFICE OF THE CITY COUNCIL

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FINANCE COMMITTEE BUDGET HEARING #6 MINUTES

August 22, 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 (arr. 9:06), Terrance Freeman, Will Lahnen, Ju’Coby Pittman (arr. 9:16)

Excused: Council Member Nick Howland

Also: Council Members Randy White, Kevin Carrico; Kim Taylor, Brian Parks - 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, Scott Wilson – Mayor’s Office; Anna Brosche, Angela Moyer – Finance Department

Meeting Convened: 9:01 a.m.

Chairman Salem convened the meeting and the attendees introduced themselves for the record. The Chair referenced yesterday’s discussion of JTA’s travel policy and clarified that the Inspector General’s office will be comparing the travel policies of the four independent authorities and that he had asked that the City’s travel policy be included in that review. He said his remarks about the Inspector General’s Office plan had been misinterpreted and there is no “investigation of JTA”, just a comparative review of the policies.

The Chair reviewed tomorrow’s planned agenda order: 1) proposed cuts from the budget and CIP; 2) the list of deferred items moved to wrap-up day; 3) enhancement requests to the budget from committee members; 4) enhancement requests from non-committee members, which must be moved by a committee member; and 5) DIA waterfront restaurant discussion (at some point during the day when DIA CEO Lori Boyer is available).

Council Member Lahnen asked for confirmation that all enhancement requests must be submitted by noon today. Chairman Salem said that’s his hope, but there’s no way to prevent someone from making a motion on an item thereafter. Mr. Lahnen asked for confirmation of Chairman Salem’s intention for a cap on the use of reserve funds. Mr. Salem said he has a target of \$10M maximum, preferably less than that. He said he plans to move the remaining funding needed to address the Council’s strategic plan priorities (approximately \$900,000) so any enhancement requests would be added to that amount. He said there is no need to propose an enhancement that deals with strategic plan items as they should be addressed.

Council Member Diamond asked how the desire to have a budget with little to no use of reserve funds meshes with the upcoming discussion of the addition of the Jaguars Community Benefit Agreement and the administration's proposed \$10M affordable housing initiative. Does the Finance Committee need to prepare to make room for all that spending? Mary Staffopoulos with the Office of General Counsel said most of the CBA funding doesn't start in FY24-25 but will be a year later. She said strategic initiative direct contracts will require term sheets and budget details, so there may be a need to put that funding into a contingency fund until all of those items are completed.

All page references from this point refer to Council Auditor's Meeting #6 handout.

Self-Insurance

In response to a question from Council Member Lahnen, Tracy Flynn, Risk Manager, explained the favorable variance in worker's compensation expenses in this year's budget, saying it results from a backlog of unpaid claims and a change in claims evaluators. This year's figure is a one-time blip and will normalize next year.

Risk Management

Council Member Arias asked why there is a 128% increase in insurance cost for Special Events when several special events are not going to be held next year. Ms. Flynn said there have been big increases in premiums for large events (Florida/Georgia football, Jacksonville Jazz Festival) and an increase in the City's insurable property value (revalued every 5 years), which is partially offset by a reduction in the huge jump in the cost of cyber insurance from a few years ago. Jacksonville has a good claims rate, so our premiums aren't going up as much as other places. Council Member Pittman asked how often insurance coverage is bid out. Ms. Flynn said every year. Ms. Pittman asked about the future of health insurance premiums – Ms. Flynn said health care costs are skyrocketing, particularly for heart and hypertension cases, and the premiums will have to reflect that. Chairman Salem asked about how new events added in mid-year are insured. Ms. Flynn said the City's insurance broker puts them out to bid and the bids reflect the relative risk of the event. Mr. Salem asked about the reduction in the cyber risk insurance premium. Ms. Flynn said cyber is the most rigorously questioned policy and 2 years ago the premiums were astronomical; now that is calming down some and there is more competition in the marketplace.

Employee Services Department

Council Auditor Kim Taylor said that the administration will be proposing legislation to amend the Ordinance Code to remove the requirement for a salary study every 4 years and did not fund the \$75,000 that would have been needed for that study in the upcoming budget. Council Member Lahnen asked about constitutional officer salaries and whether Employee Services does pay studies for them. Diane Moser, Director of Employee Services, said the constitutional officers may or may not participate in the City's salary studies and may either request salary increases through the MBRC process or may come directly to the Finance Committee during the budget hearings to make their request. Council Member Pittman asked if use of the tuition reimbursement benefit is changing; Ms. Moser said use is generally flat. The City is offering a new 4-tiered Ladder to Leadership training program for all employees – it is voluntary for the employee but must be approved by their supervisor. Ms. Pittman asked how long an employee must commit to working for the City after receiving a tuition reimbursement; Ms. Moser said 1 year or they must reimburse the City. Ms. Pittman advocated for greater use of tuition reimbursement as an incentive to train and keep good people long-term. Council Member Freeman asked how salary studies compare Jacksonville to other jurisdictions. Ms. Moser said they look at recruitment, retention, market rates, hiring competitors, etc. Mr. Freeman said it would be good to look at neighboring counties' salaries based on

what the committee been hearing from the constitutional officers about their difficulty with losing employees for higher paying jobs in nearby counties.

Council Member Freeman asked about the recent decertification of the city's non-public safety unions after the state prohibited automatic payroll deductions for union dues. Ms. Moser said LIUNA has just been recertified and AFSCME is making progress on getting enough employees signed up to be recertified. Chairman Salem asked why police and fire tuition reimbursement is in Employee Services rather than JSO and JFRD budgets; Ms. Moser said it's always been that way and the program is managed by her office. That keeps use of the program standardized across departments. Ms. Pittman asked if the college tuition must be related to the job an employee is currently in or if it could be for a job they want to move into. Ms. Moser said as long as it's a benefit for the City, it will be approved. CFO Anna Brosche said pay is a broad challenge for the City and the administration understands that Jacksonville pays below other jurisdictions. They work within the resources of what the budget provides. They have tried to treat all employees equally and sometimes a constitutional officer or department comes to the Council directly to ask for relief for a specific situation. Chairman Salem said his impression is that the City's senior leadership is very well compensated compared to lower levels of the workforce.

Group Health Insurance

Kim Taylor expressed a recurring Auditor's Office concern about the insufficiency of health insurance premiums to cover the cost of claims, which has been compensated for in recent years by use of federal ARP funds. If trends continue unabated then this self-insurance fund would be in a negative cash position by December 31, 2025. Council Member Diamond asked about the \$29M overstatement of revenue. Budget Officer Angela Moyer said the revenue budget is based on expenses – for the last 2 years ARP funds have backfilled the difference, this year there is no ARP funding to fill the hole. Ms. Taylor said the fundamental problem is that rates don't cover costs and haven't for some years, and it's not appropriate to just artificially insert a revenue figure to balance the account. Council Member Lahnen asked if the budget was constructed based on a plan to raise premiums that then didn't happen; Ms. Brosche said that was not the case. Mr. Lahnen asked what will be left in the fund if the proposed use of fund balance is approved; Ms. Taylor said that will empty the account and next year there will be no one-time money and no fund reserve to draw on so something will have to be done to pay the cost. Chairman Salem said this situation is analogous to the solid waste fee – the fee is insufficient to cover the costs and next year there will be a crisis situation and either rates will have to go up or coverages will have to go down. He said there are innovative ways to manage health care costs by changing employee behavior and there are companies that will manage that for a share of the cost savings they produce. Mr. Salem asked when the health plan was last bid out; Ms. Moser said in 2022 for 2023 coverage and it is a 5-year contract. Rate increases are planned for next year. Mr. Salem said more innovation is needed. Council Member Diamond pointed out that a Florida Blue executive is on loan to the City as the Mayor's Chief of Staff.

Motion: on p. 14, approve Auditor's recommendation that revenue be reduced by \$29,406,379 based on the health plan rates not being proposed to change. This will specifically be a reduction of \$19,303,200 for the employer contribution and \$10,103,179 for the employee contribution. At the same time, health claims costs should be reduced by \$13,508,567 to better align with recent actuals and offset the difference between the revenue reduction and the expense reduction, via a transfer from fund balance (from within this fund) of \$15,897,812 – **approved unanimously via a voice vote.**

Planning and Development Department

Council Member Freeman asked about the department's staffing level. Planning and Development Director Brett James said the department will deliver services within the limits of what the budget can provide. They've added 1 position in the Resiliency Office which is a top priority. Mr. Freeman said he's

heard that the plans and permitting area is still backed up and slow on occasion. He asked about the \$200,000 reduction in professional and contractual services for floodplain review consulting services. Mr. Freeman also asked about how the department keeps permits moving when an employee is out of the office, which he hears is problematic. Mr. James said all work should continue unabated with other staff.

The committee was in recess from 10:26 to 10:45 a.m.

Motion: on p. 23, tentatively approve Auditor's recommendation to reduce the computer system maintenance and security costs by \$427,707 based on more recent estimates of maintenance costs (the original estimates were made shortly after the JAXEPICS system was implemented). This will be offset by reducing the transfer from fund balance by \$427,707. This will also result in a change in the revenue for the IT Operations Fund (53101), reducing the revenue from the Building Inspection (15104) fund and increasing the revenue from the System Development Fund (53106), which has the budgetary capacity for the expense due to it being an "all years" fund – **the motion was approved unanimously via a voice vote.**

Council Member Pittman asked Josh Gideon, Chief of the Building Inspection Division, how the new JAXEPICS permitting system is working. He said it is producing good efficiencies as more applicants become more familiar with its functionality.

State, Federal and Other Grants

Motion: on p. 24, approve Auditor's recommendation that the Auditor be granted the ability to correct scrivener's errors as needed - **the motion was approved unanimously via a voice vote.**

Council Member Lahnen asked if there are any significant grants that the City has normally gotten that it anticipates not getting in the future. Kim Taylor said the only thing that comes to mind is the COPS grant that requires the City to eventually take over full funding for federal grant-funded police officers. In response to question from Chairman Salem, Ms. Taylor said the City is currently utilizing 1 COPS grant for 40 positions, the funding for which will roll off in 2 years and will be the City's full responsibility.

Kids Hope Alliance

Motion: on p. 24, approve Auditor's recommendation to reduce part time hours from 107,100 to 25,000 to align with the proposed budget for part time salaries –

Council Member Pittman announced that she would be abstaining from the vote due to a conflict of interest related to her employment in relation to the KHA. Council Member Diamond said the budget for juvenile justice programming has been flat for several years and needs to be enhanced to divert young people from getting involved in crime and the criminal justice system. Council Member Arias asked KHA about the reduction of 1,000 after-school and summer slots. Dr. Saralyn Grass, CEO of the KHA, said it was due to the absence of federal ARP funds next year. Mr. Arias asked about the unit of service rate staying flat; Dr. Grass said they want to make adjustments to service levels based on dollar amounts, not units of service. She also said the increase in the minimum wage will reduce the number of interns that can be hired for the available funding. Dr. Grass said the state's unit of service cost is above what the City pays. Council Member Freeman asked about the microgrant program for economic development approved last year and if that funding is in the KHA budget. Dr. Grass said that is not the \$200,000 transfer Mr. Freeman referenced on p. 34. Mr. Freeman lauded the creation of the Jacksonville Upward Mobility Program (JUMP) and the good work that it will do in workforce development.

The motion was the motion was approved unanimously via a voice vote (Pittman abstained).

The committee was in recess from 11:25 to 12:30

Public Works Department

Council President White asked a question of Nina Sickler, Public Works Director, about the budget for Riverfront Park. Ms. Sickler said that a request has been made for \$6M in additional funding that has been placed “below the line” by the Finance Committee and the project can’t be completed without those funds. The \$56M in the Community Benefit Agreement for downtown riverfront parks is for a second phase, not the portion currently under contract. Chairman Salem said the committee will likely have a considerable discussion tomorrow about the downtown parks and how and why their budgets have increased so dramatically since they were originally proposed.

Council Member Lahnen asked if the \$11M addition to the Public Works mowing budget for the current year has been completely expended. Ms. Sickler said it will be completely expended by the end of September. Chairman Salem asked for confirmation that the \$6M additional request for Riverfront Park won’t become effective until October 1 if approved; Ms. Sickler confirmed that was the case.

Beach Erosion – Local Fund

Council Member Diamond said the beach erosion and need for periodic renourishment is a result of the St. Johns River jetties and is the trade-off being made for those jetties keeping the river navigable for large ship traffic.

Solid Waste Fee

Ms. Taylor noted that the General Fund loans made to this fund because the solid waste fee is insufficient to cover costs have increased substantially in the last couple of years and the total amount loan to the fund over 8 fiscal years is up to \$92.9M. She noted the dual problems of increasing hauler costs and the impact of the interlocal agreements with the Beaches cities on the need to treat the annual subsidy as a loan. The Auditor’s Office again recommends that the fee be increased to a rate that covers the service costs. Council Member Diamond said something has got to be done to solve this problem and his constituents at the Beaches who already pay for the costs of their own cities’ waste collection are also subsidizing Jacksonville’s operations through the annual General Fund loan. Council Member Arias agreed that the solution to the problem is a fee that covers the service cost. Mr. Arias asked about the disparity in the per premises costs between Waste Pro and Meridian. Ms. Taylor said the rate varies based on the hauling distance from the landfill, equipment cost, and other factors that vary between the companies. Mr. Arias said he feels both companies should be paid the same rate.

In response to a question from Chairman Salem, Ms. Taylor explained the rate that the detailed rate review process determined and said that a 5% increase for next year is included in the budget; anything more would require an additional funding source. Ms. Taylor said equalizing the rates between the companies would require \$6.5M in additional funding. Mr. Salem said when the rate review process is completed then a recommendation will be made to the Council and that’s when a decision will need to be made. In response to a question from Council Member Lahnen, Ms. Taylor described the rate review process and said she believes the final report will be done shortly and then legislation for a new rate will be filed. Ms. Sickler said the rate review is in final stage and should be done very shortly. Mr. Lahnen asked about the impact of raising the user fee to \$18 per month. Ms. Taylor said that would produce about \$3M in additional revenue which is only a small part of what is really needed. President White said this is a conversation for later, but he believes the differential between the companies is inequitable. Mr. Salem said there is a policy decision to be made about whether the rate review process is the best way to pay the haulers or if a low bid system would be better. He said the Council has previously had special committees

on solid waste which studied the issue and came to recommendations that were philosophically opposed by the administrations in office at the time, so no action ever occurred. Mr. Salem cautioned that there is a strictly prescribed system for increasing the user fee on the property tax bill and the process has to start in September for a revised fee to appear on the tax bill in the next year.

Council Member Freeman asked if there are incentives for haulers that do a good job and not just penalties for a company that does a bad job. Will Williams, Chief of the Solid Waste Division, said there is not. Mr. Freeman asked if the performance record of a company factors into the rate review process. Ms. Taylor said the liquidated damages for non-performance are the way that companies are penalized from receiving the full rate they would otherwise receive. Council Member Arias asked where more money could come from to increase funding for the hauler contract. Ms. Taylor said the same source - Operating Reserve - would be likely whether that action is done now in the budget or later via separate legislation. Mr. Arias said taxpayers should not get a discount for early payment of the user fee. Ms. Taylor said Meridian is operating on a rate that they bid 3 years ago as adjusted subsequently by the rate review process. She also urged the committee to consult with Dylan Reingold of the General Counsel's Office about the rate increase process since interpretations from the OGC about what must happen for that to take place have changed over the years. She said the discount for early payment is mandated by the state because the fee is included on the property tax bill. Chairman Salem said there needs to be a lot of education done to get the public to understand that the fee needs to be increased to cover costs, preferably over the course of several years, so they understand what's happening and why.

Public Buildings

Motion: on p. 65, approve Auditor's recommendation that Budget Ordinance Schedule AF be revised to remove the capital outlay carryforward request of \$176,625 for the AEDs as these funds are already encumbered – **approved unanimously via a voice vote.**

Chairman Salem said the enhancements request deadline has passed and the compiled list will be distributed shortly to the committee members.

Council Member Lahnen asked about the current use of Operating Reserves; Ms. Taylor said the total stands at \$8,744,511 as of the end of today's meeting. Council Member Freeman asked for clarification about the difference between this year and previous years in the dollar amount accruing at the end of the budget process. Ms. Taylor said unlike previous years when savings from the proposed budget accumulated during the hearing process were placed in a contingency fund for reallocation, this year's process proceeded on the basis of trying to reduce the \$47M in the proposed budget that was to be funded from the Operating Reserve. That \$47M appropriation has been reduced to \$8.7M by the committee's actions, so any enhancements approved tomorrow will increase the use of Operating Reserves beyond that amount. Chairman Salem said the average use of reserve funds over the last 10 years of budgets has been about \$12M per year and he hopes this year's process can end up at or lower than that average figure.

Meeting adjourned: 1:44 p.m.

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Posted 8.30.24 10:45 a.m.