

OFFICE OF THE COUNCIL AUDITOR

FY 2018/2019 PROPOSED BUDGET

FINANCE COMMITTEE MEMBERS

Greg Anderson – Chair
Joyce Morgan – Vice Chair
Lori N. Boyer
Reginald Gaffney
Bill Gulliford
Jim Love
Sam Newby



Meeting #7
August 30, 2018

**COUNCIL AUDITOR'S OFFICE
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**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
2018/19 PROPOSED BUDGET
POLICE & FIRE PENSION ADMINISTRATION (S/F 621)**

BACKGROUND:

The Police and Fire Pension Fund is not included in the Mayor's Proposed Budget because the Police and Fire Pension Fund is governed by an appointed Board of Trustees. Pursuant to Sections 5.07, 14.01 and 14.02 of the City Charter and Section 121.101 (d) of the Ordinance Code, the Board is required to submit its budget to the City Council for approval. This fund was closed to new employees starting October 1, 2017.

The Police and Fire Pension Fund (PFPF) budget is divided into Administrative Expenditures (\$12,950,042), Building Operations (\$180,831) and Parking Garage Operations (\$25,095) for a total budget of \$13,155,968 which is an increase of \$906,497 from the current budget of \$12,249,471.

ADMINISTRATIVE EXPENDITURES:

Administrative Expenditures	FY 2017/18	FY 2018/19	Change from FY 2017/18	
	Approved	Proposed	Dollar	Percent
Personnel Services	971,109	1,154,877	183,768	18.92% (A)
Other Operating Expenses	792,180	1,184,021	391,841	49.46% (B)
Professional Services - Investments	9,816,062	10,114,583	298,521	3.04% (C)
Professional Services - Other	474,000	496,561	22,561	4.76% (D)
Capital Outlay	-	-	-	N/A
	12,053,351	12,950,042	896,691	7.44%

(A) Personnel Services overall are increasing primarily due to the following:

- \$42,165 in salary adjustments due to collective bargaining and step increases during the fiscal year. Per Police and Fire, beginning FY 2018/19 they will end the step increases and will move to performance based increases in future years.
- The increase in pension contribution of \$120,276 which is inaccurate and will be addressed below. (See Recommendation #2)
- There is also an increase of \$17,911 for Group Health related to the five contribution "holidays" that occurred in FY 2017/18. (See Recommendation #2 below to correct number of pay periods)

(B) The change in Other Operating Expenses is primarily due to increases for Computer System Maint/Security allocation of \$167,237, OGC Legal allocation of \$100,302 based on usage, and Indirect Costs of \$95,650.

(C) The increase of \$298,521 in Professional Services - Investments is due to the change in the value of assets in the Fund.

(D) The change in Professional Services - Other is due to an increase of \$22,561 in outside legal services.

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Professional Services - Investments

Investment Services	FY 2017/18 Approved	FY 2018/19 Proposed	Dollar Change	Percent Change	
Money Managers	\$ 9,537,698	\$ 9,836,219	\$ 298,521	3.13%	(E)
Investment Advisor	245,864	245,864	-	0.00%	
Investment Custodian	32,500	32,500	-	0.00%	
	<u>\$ 9,816,062</u>	<u>\$ 10,114,583</u>	<u>\$ 298,521</u>	<u>3.04%</u>	

(E) Per Police and Fire Pension Fund, the increase is due to change on the value of assets in the Fund. The budgeted amount is an estimate based on the assumption of current market trends continuing.

Professional Services – Other Services

Other Professional Services	FY 2017/18 Approved	FY 2018/19 Proposed	Dollar Change	Percent Change	
Outside Legal	160,000	182,561	22,561	14.10%	(F)
Actuary	140,000	140,000	-	0.00%	
Consultants	50,000	50,000	-	0.00%	
Lobbyist	40,000	40,000	-	0.00%	
Records Digitization	35,000	35,000	-	0.00%	
Auditor	30,000	30,000	-	0.00%	
Medical	10,000	10,000	-	0.00%	
Elections Services	5,000	5,000	-	0.00%	
Appraiser for Buildings - Real Estate Investments	4,000	4,000	-	0.00%	
	<u>\$ 474,000</u>	<u>\$ 496,561</u>	<u>\$ 22,561</u>	<u>4.76%</u>	

(F) Per Police and Fire Pension Fund, the increase in outside legal is due to ongoing litigation. In total, the cost of legal services (outside and internal) is increasing from \$320,000 to \$442,863.

BUILDING OPERATIONS:

The Police and Fire Pension Fund owns and operates the building located at One West Adams Street in which the administrative staff of the Fund is housed. The Fund leases out additional office space in the building.

	FY 2017/18 Approved	FY 2018/19 Proposed	Dollar Change	Percentage Change	
Revenues	\$ 614,518	\$ 591,970	\$ (22,548)	-3.67%	(G)
Expenses - Operating	\$ 172,220	\$ 180,831	\$ 8,611	5.00%	(H)
Surplus/(Deficit)	<u>\$ 442,298</u>	<u>\$ 411,139</u>	<u>\$ (31,159)</u>	<u>-7.04%</u>	

(G) The decrease is due to Police and Fire only receiving nine months of rental revenue due to a lease ending and a tenant moving out in 2019.

(H) The increase is primarily due to utilities and planning for a build-out of vacated space for a new tenant.

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POLICE & FIRE PENSION ADMINISTRATION (S/F 621)**

PARKING GARAGE OPERATIONS:

The Police and Fire Pension Fund owns and operates the Monroe Street Parking Garage which has approximately 240 parking spaces. The fund leases parking spaces out to various entities and individuals.

	FY 2017/18 Approved	FY 2018/19 Proposed	Dollar Change	Percentage Change
Revenues	\$ 150,000	\$ 157,500	\$ 7,500	5.00% (I)
Expenses - Operating	\$ 23,900	\$ 25,095	\$ 1,195	5.00% (J)
Surplus/(Deficit)	<u>\$ 126,100</u>	<u>\$ 132,405</u>	<u>\$ 6,305</u>	5.00%

(I) The increase is due to a planned rate increase for all parking garage customers.

(J) The increase is due mainly to a higher projected utilities expense.

MARKET VALUE OF INVESTMENTS: Per Summit Strategies Flash Reports

	June 30, 2017	June 30, 2018	Dollar Change	Percent Change
US Equity	\$ 831,003,769	\$ 883,263,426	\$ 52,259,657	6.3%
International Equity	388,023,166	450,156,600	62,133,434	16.0%
Fixed Income	391,862,382	393,593,320	1,730,938	0.4%
Real Estate	199,168,185	217,067,202	17,899,017	9.0%
MLP's/Energy	102,324,814	111,991,744	9,666,930	9.4%
Cash	1,826,268	9,892,425	8,066,157	441.7%
Total	<u>\$ 1,914,208,584</u>	<u>\$ 2,065,964,717</u>	<u>\$ 151,756,133</u>	7.9%

EMPLOYEE CAP CHANGES:

None.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
2018/19 PROPOSED BUDGET
POLICE & FIRE PENSION ADMINISTRATION (S/F 621)**

POLICE AND FIRE PENSION PLAN FUNDING POSITIONS:

Unfunded Actuarial Accrued Liability (UAAL) at October 1, 2017 (Per PFPF Actuarial Report dated May 22, 2018)

Actuarial Accrued Liability (AAL)	Actuarial Value of Assets*	UAAL	Funded Ratio
(a)	(b)	(a-b)	(b/a)
3,736,609,624	1,765,159,006	1,971,450,618	47.24%

*Does not include reserve accounts or Senior Staff plan assets. \$68,464,281 of reserve accounts belong to the City, \$20,000,000 is being used to reduce the City's FY 2017/18 contribution and \$24,736,292 to reduce the FY 2018/19 contribution. Also, this does not reflect the present value of sales tax attributable to the plan of \$810,535,348, which if included would bring the funding ratio to 68.93%.

RECOMMENDATIONS:

We recommend removing and replacing Schedule AB and AC with REVISED Schedule AB and REVISED Schedule AC in order to perform the following:

- 1) We recommend increasing "Personnel" on Schedule AC by \$7,154 and reducing "Operating Expenses" on Schedule AC by \$7,154 in order to correctly classify workers compensation.
- 2) We recommend reducing "Personnel" by \$135,456 on Schedule AC in order to reduce the General Employees' Defined Benefit pension contribution to correct the amount, reducing the group hospitalization, group life and group dental to reflect the proper number of pay periods, to increase the employer contribution for the Defined Contribution for two employees that was erroneously omitted, and to fix a \$1 error. This will be offset by reducing "Trust Fund Revenues" by \$135,456 on REVISED Schedule AB in order to balance the budget.
- 3) We recommend removing FY 2017/18 Adopted and FY 2018/19 Proposed amounts from the schedule. We also recommend adding a subtotal for Administrative costs and other formatting changes as depicted on Revised AB and AC based on all of these recommendations.

These adjustments will have no impact on Special Council Contingency.

POLICE AND FIRE PENSION FUND
BUDGET FISCAL YEAR 2018-2019

<u>REVENUES</u>	<u>FY 18 Adopted</u>	<u>FY 19 Proposed</u>	<u>FY 19 Adjusted</u>
Trust Fund Revenues	\$ 11,542,427	\$ 11,973,110	\$ 12,406,498
Building Rental Revenues	\$ 614,518	\$ 591,971	\$ 591,971
Parking Revenues	\$ 150,000	\$ 157,500	\$ 157,500
Total Revenues	\$ 12,306,945	\$ 12,722,581	\$ 13,155,969

Schedule AB

<u>EXPENDITURES</u>			
Personnel	\$ 1,093,983	\$ 1,147,724	\$ 1,147,724
Professional Services	\$ 752,364	\$ 496,561	\$ 496,561
Operating Expenses	\$ 726,780	\$ 752,678	\$ 1,191,175
Investments	\$ 9,537,698	\$ 10,114,583	\$ 10,114,583
Building Operations	\$ 172,220	\$ 180,831	\$ 180,831
Parking Operations	\$ 23,900	\$ 25,095	\$ 25,095
Total Expenditures	\$ 12,306,945	\$ 12,717,472	\$ 13,155,969

Authorized Full-Time Positions: 8

Part-time Hours: 0

Schedule AC

**POLICE AND FIRE PENSION FUND
JACKSONVILLE, FLORIDA
BUDGET FISCAL YEAR 2018/2019**

REVISED SCHEDULE AB

ESTIMATED REVENUES

Trust Fund Revenues	\$ 12,271,043
HQ Building Operations	591,970
Parking Garage Operations	157,500
Total Estimated Revenues	<u>\$ 13,020,513</u>

REVISED SCHEDULE AC

APPROPRIATIONS

<u>Administration</u>	
Personnel Services	\$ 1,019,422
Operating Expenses	1,184,021
Professional Services - Investments	10,114,583
Professional Services - Other	<u>496,561</u>
Total Administration	\$ 12,814,587
<u>Rental</u>	
HQ Building Operations	\$ 180,831
Parking Garage Operations	<u>25,095</u>
Total Rental	\$ 205,926
Total Appropriations	<u>\$ 13,020,513</u>

Authorized Full-Time Positions - 8
Part - Time Hours - 0

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2018/19 BUDGET
GENERAL EMPLOYEES PENSION FUND (S/F 611)**

PROPOSED BUDGET BOOK – Page # 231 - 233

BACKGROUND:

The General Employees' Pension Fund is the City's defined benefit pension fund for general employees which was closed to new employees starting October 1, 2017. This fund records both employee and employer contributions, investment earnings, benefit payments and administrative expenses for the General Employees' Pension Fund. For FY 2018/19, the employers' pension contribution amount is \$69,247,524, with an additional .3% of payroll being contributed for disability benefits.

In addition to the City's general employees, this plan covers employees at some Independent Agencies such as the Jacksonville Housing Authority and JEA. This plan also includes Clerk of the Courts court-related employees who are not funded by the City.

The assets of the General Employees Pension Fund and Correctional Officers Pension Fund are combined for investment purposes.

REVENUE:

1. Miscellaneous Revenue:

- The revenue amount of \$14,158,889 represents the amount of revenue needed to balance the budget.

2. Transfers from Fund Balance

- This represents the FY 2017/18 pension reform contingency being appropriated and placed back into contingency below where it is added to the FY 2018/19 portion.

EXPENDITURES:

1. Salaries:

- The increase of \$25,769 is primarily due to pay increases related to collective bargaining and some salary adjustments during the fiscal year.

2. Pension Costs:

- The net decrease of \$5,060 is mainly due to employee turnover.

3. Employer Provided Benefits:

- The net increase of \$10,195 is mainly due to not having the five contribution "holidays" that occurred in FY 2017/18.

4. Internal Service Charges

- The net increase of \$15,716 is mainly due to an increase for computer system maintenance allocation (\$22,414) due to the ERP system being implemented. This was partially offset by a decrease in OGC Legal allocation (\$5,802) based on usage and a decrease in tech refresh allocation (\$4,580) due to the completion of the computer refresh that was budgeted in FY 2017/18.

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MAYOR'S PROPOSED FY 2018/19 BUDGET
GENERAL EMPLOYEES PENSION FUND (S/F 611)**

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5. Professional and Contractual Services:

- The net increase of \$832,644 is primarily due to an increase of \$819,916 in money managers' fees, due to an increase in pension investment returns/assets over the last year. This increase was partially mitigated due to the Correctional Officers Pension Funds' pro-rata portion of assets increasing, which will continue to happen over time. Below is a breakdown of the professional service contracts.

Services	FY 2017/18 Approved	FY 2018/19 Proposed	Dollar Change	Percent Change
Money Managers	\$ 11,868,177	\$ 12,688,093	\$ 819,916	6.91%
Outside Legal	18,109	17,350	(759)	-4.19%
Custodial Fees	172,040	164,825	(7,215)	-4.19%
Portfolio Consultant	258,060	254,007	(4,053)	-1.57%
Actuary Fees	83,756	86,750	2,994	3.57%
Investment Mgr Performance Tracking	8,602	30,363	21,761	252.98%
	<u>\$ 12,408,744</u>	<u>\$ 13,241,388</u>	<u>\$ 832,644</u>	<u>6.71%</u>

6. Supervision Allocation:

- This amount represents the administrative costs of the Pension Administration activity, which are allocated to the Correctional Officers' Pension Fund (S/F 613). This amount appears to be overstated by \$39,933 based on the administrative expenses for the General Employees' Pension Fund. (See Recommendation #2)

7. Indirect Cost:

- This is an allocation of costs to operate central services of the City (e.g. Finance and Administration, Employee Services and City Council) as calculated by the City's independent consulting firm.

8. Contingency:

- The increase of \$7,620 is the FY 2018/19 portion of the pension reform contingency.

SERVICE LEVEL CHANGES:

None.

EMPLOYEE CAP CHANGES:

None.

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COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2018/19 BUDGET
GENERAL EMPLOYEES PENSION FUND (S/F 611)**

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SCHEDULE OF INVESTMENTS AT MARKET: *Per City Treasurer*

NOTE: Per Information Provided by Treasury Division

MARKET VALUE OF INVESTMENTS*

	June 30, 2017	June 30, 2018	Dollar Change	Percent Change
Bonds and Notes	\$ 411,197,331	\$ 409,481,294	\$ (1,716,037)	-0.4%
Common/Preferred Stock	\$ 1,385,325,384	\$ 1,490,642,527	\$ 105,317,143	7.6%
Cash Equivalents	\$ 34,618,843	\$ 27,764,422	\$ (6,854,421)	-19.8%
Real Estate	\$ 338,979,641	\$ 359,924,063	\$ 20,944,422	6.2%
Alternative Investments	\$ 49,652,880	\$ 51,524,002	\$ 1,871,122	3.8%
Total	\$ 2,219,774,079	\$ 2,339,336,308	\$ 119,562,229	5.4%

*This includes General Employees (S/F 611), Corrections (S/F 613), and Disability (S/F 614) trust funds.

GENERAL EMPLOYEES RETIREMENT PLAN FUNDING PROGRESS:

Unfunded Actuarial Accrued Liability (UAAL) at October 1, 2018 (Per Memorandum from the General Employees Retirement Plan Actuary dated May 2, 2018)

Plan Participants	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	UAAL	Funded Ratio
	(a)	(b)	(a-b)	(b/a)
COJ	1,524,467,029	981,085,723	543,381,306	64.36%
JEA	1,468,343,279	944,966,732	523,376,547	64.36%
JHA	37,381,969	24,057,533	13,324,436	64.36%
NFTPO	3,454,021	2,222,869	1,231,152	64.36%
Total Plan	3,033,646,298	1,952,332,857	1,081,313,441	64.36%

Does not reflect the present value of the Sales Tax revenue attributable to the plan of \$394,009,209, which if included would bring the funding ratio to 77.34%.

RECOMMENDATIONS:

1. Within Miscellaneous Revenue, we recommend moving the \$14,157,839 from Payroll Deduction City of Jacksonville to Employers Contribution City of Jacksonville to be consistent with how we budget other pension subfunds. This will have no impact on Special Council Contingency.
2. We recommend decreasing the Supervision Allocation to the Correctional Officers' Pension Fund by \$39,933 to a total of \$151,006. This will be offset by increasing Employers Contribution City of Jacksonville in the Miscellaneous Revenue category amount by \$39,933 in order to balance revenues with expenditures within this subfund and a decrease in Correctional Officers Pension Fund (613) for the same amount. This will have no effect on Special Council Contingency.

**COUNCIL AUDITOR'S OFFICE
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MAYOR'S PROPOSED FY 2018/19 BUDGET
CORRECTIONAL OFFICERS' PENSION FUND (S/F 613)**

PROPOSED BUDGET BOOK – Page # 234 - 235

BACKGROUND:

The Correctional Officers' Pension Fund was established to provide pension benefits and protection for the correctional officers of the City of Jacksonville. The employer contribution amount for FY 2018/19 is \$14,497,788 with an additional .3% of payroll being contributed for disability benefits.

REVENUE:

1. Fines and Forfeits:
 - This amount represents the revenue received from the administrative surcharge of \$20 per person arrested and booked into the City's correctional facilities.
2. Miscellaneous Revenue:
 - The revenue amount of \$1,920,584 represents the amount of revenue needed to balance the budget.

EXPENDITURES:

1. Professional and Contractual Services:
 - The increase of \$733,449 is primarily due to an overall increase in money managers' fees due to the increase in pension investments returns/assets over the last year. Also, the costs are prorated based on the asset values of the investments between this plan and the General Employees' Pension Fund (S/F 611) and Corrections percentage portion of the assets increased slightly. Here is a breakdown of the Professional Services included in the Correctional Officers' Pension Fund budget.

Services	FY 2017/18 Approved	FY 2018/19 Proposed	Dollar Change	Percent Change
Money Managers	\$ 1,232,531	\$ 1,937,902	\$ 705,371	57.23%
Outside Legal	1,891	2,650	759	40.14%
Custodial Fees	17,960	25,175	7,215	40.17%
Portfolio Consultant	26,940	38,797	11,857	44.01%
Actuary Fees	8,744	13,250	4,506	51.53%
Investment Mgr Performance Tracking	897	4,638	3,741	417.06%
	<u>\$ 1,288,963</u>	<u>\$ 2,022,412</u>	<u>\$ 733,449</u>	<u>56.90%</u>

**COUNCIL AUDITOR'S OFFICE
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CORRECTIONAL OFFICERS' PENSION FUND (S/F 613)**

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2. Supervision Allocation:

- This amount represents the administrative costs of the activity which are charged to this fund by the General Employees' Pension Fund (S/F 611). This amount appears to be overstated by \$39,933 based on the Administrative expenses for the General Employees' Pension Fund. Please see our recommendation in our handout for the General Employees' Pension Fund (S/F 611).

EMPLOYEE CAP CHANGES:

There are no positions in this subfund. All positions reside in the General Employees' Pension Subfund (S/F 611) as noted above.

CORRECTIONAL OFFICERS' PENSION FUND FUNDING PROGRESS:

Unfunded Actuarial Accrued Liability (UAAL) at October 1, 2017 (Per Correctional Officers' Pension Fund Actuarial Valuation Report)

Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	UAAL	Funded Ratio
(a)	(b)	(a-b)	(b/a)
377,380,082	191,740,583	185,639,499	50.81%

Does not reflect the present value of the Sales Tax revenue attributable to the plan of \$69,167,729, which if included would bring the funding ratio to 69.14%.

RECOMMENDATION:

None.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2018/19 BUDGET
DISABILITY PENSION TRUST (S/F 614)**

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BACKGROUND:

The Disability Pension Subfund (614) is the disability plan for all defined contribution participants (General Employee, Corrections, Police and Fire). Subfund 614 is in the process of being converted into two separate subfunds to separate the Public Safety (Police and Fire and Corrections) and General Employees disability contributions. The contribution rate for all participants is 0.3%.

In addition to the City's general employees, this plan covers employees at Independent Agencies such as the Jacksonville Housing Authority and JEA. This plan also includes Clerk of the Courts State funded personnel who perform court-related functions.

REVENUE:

1. Miscellaneous Revenue:

- The revenue amount of \$25,659 represents the amount of revenue needed to balance the budget.

EXPENDITURES:

1. Professional Services:

- This expenditure represents funding for an actuarial study (\$22,000) and pension disability physical examination fees (\$3,000) for Fiscal Year 2018/19.

EMPLOYEE CAP CHANGES:

There are no positions in this subfund. All positions reside in the General Employees' Pension Plan.

GENERAL EMPLOYEES' DISABILITY PROGRAM FUNDING PROGRESS:

Unfunded Actuarial Accrued Liability (UAAL) at October 1, 2015 (Per Disability Program Actuarial Valuation Report)*

Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	UAAL	Funded Ratio
(a)	(b)	(a-b)	(b/a)
17,962,006	9,594,000	8,368,006	53.41%

* Please note a report was not conducted for October 1, 2017.

RECOMMENDATION:

Within Miscellaneous Revenue, we recommend moving the \$25,659 from Payroll Deduction City of Jacksonville to Employers Contribution City of Jacksonville to make this more consistent with the other subfunds. This will have no impact on Special Council Contingency.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2018/19 BUDGET
RISK MANAGEMENT DIVISION
SELF-INSURANCE (S/F 561)**

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BACKGROUND

This fund administers a self-insured Worker's Compensation and General Auto/Liability program for the City and independent agencies such as the Jacksonville Electric Authority, Jacksonville Port Authority, Jacksonville Housing Authority and the Jacksonville Aviation Authority. As an internal service fund, revenues are generally billings to other City funds and independent agencies. Ordinance 2018-380-E revamped Chapter 128 (Risk Management Program) of the Municipal Code where a new joint operating reserve was established and pooling for the general liability and automobile liability losses was prohibited.

REVENUE

1. Charges for Services

- This represents the billings to all of the participants. The net increase of \$4,054,862 is due to changes in the actuary projections and due to additional funding required for the new joint operating reserve established by Ordinance 2018-380-E.

2. Investment Pool / Interest Earnings

- The decrease of \$529,417 is due to decreases in earnings from escrow deposits of \$420,820 and investment pool earnings of \$108,597 based on the projected cash balance, the interest rate from Treasury, and to more closely match actual earnings on investments.

3. Transfer In to Pay Debt Service:

- This transfer in from the General Fund/General Services District (S/F 011) is associated with a receivable within this subfund for money loaned out by the City for the Adam's Mark Hotel. This funding is placed in a cash carryover as detailed below. The last payment will be received in FY 2018/19.

EXPENDITURES

1. Salaries

- The net decrease of \$2,130 is mostly due to a decrease in part-time salaries of \$20,874 to align with the actual expenditures, which was offset by an increase of \$19,660 in salaries mostly related to the collective bargaining agreements and employee turnover.

2. Salary & Benefit Lapse

- The proposed salaries and benefits lapse of \$22,560 is based on the average turnover ratio and estimated number of vacancies in FY 2018/19.

3. Pension Costs

- The net increase of \$18,287 in pension costs is mostly due to salary increases and employee turnover.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2018/19 BUDGET
RISK MANAGEMENT DIVISION
SELF-INSURANCE (S/F 561)**

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4. Employer Provided Benefits

- The net increase of \$32,366 in employer provided benefits is mostly due to an increase of \$32,552 for health insurance in connection with the elimination of the five (5) contribution “holidays” that occurred in FY 2017/18.

5. Insurance Costs and Premiums

- The net increase of \$3,696,021 in the amount billed out to the participants is mostly due to the following changes:
 - an increase of \$1,871,004 for additional funding required for the new joint operating reserve established by Ordinance 2018-380-E of which
 - i. \$1,561,032 is for the workers compensation program
 - ii. \$309,972 is for the general liability insurance program
 - an increase of \$1,646,288 due to changes in the actuarial projections of which
 - i. \$1,191,727 is for the workers compensation program driven by increases in projections for JFRD's workers compensation and heart and hypertension costs
 - ii. \$454,561 is for the general liability insurance program
 - an increase of \$286,429 in miscellaneous insurance to pay for increased premiums for the excess policies for both programs

6. Professional and Contractual Services

- The decrease of \$21,200 is mostly due to a decrease in professional services to better align with the actual expenditures.

7. Other Operating Expenses

- The net decrease of \$27,680 is mostly due to decrease of \$22,900 in other operating supplies and a decrease of \$5,000 in miscellaneous services and charges to align both items with the actual expenditures.

8. Supervision Allocation

- This line represents the cost of the administrative staff housed in the Insured Programs (S/F 581) that is allocated to this fund. The increase of \$14,471 is due to an increase in total costs for S/F 581.

9. Indirect Costs

- This is an allocation of costs to operate central services of the City (e.g. Finance and Administration, Employee Services and City Council) as calculated by the City's independent consulting firm.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2018/19 BUDGET
RISK MANAGEMENT DIVISION
SELF-INSURANCE (S/F 561)**

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10. Contingency

- The proposed contingency amount is part of the overall pension reform reserves being set aside to offset future salary increases agreed to in the collective bargaining agreements. The total includes \$123,967 from FY 2017/18 and \$31,060 for FY 2018/19.

11. Cash Carryover

- This amount is the \$1,071,608 from the General Fund – GSD for Adam's Mark after being reduced by the following items to avoid having both a transfer from fund balance and cash carryover in the same subfund:
 - \$500,000 for a structured settlement payment
 - \$155,027 for the contingency related to the pension reform
 - \$122,632 for the ergonomic assessments (\$150,000 budgeted expense less \$27,368 which will be billed out in FY 2018/19 to areas which received them in FY 2017/18)

EMPLOYEE CAP CHANGES:

There are no changes.

RECOMMENDATION:

None.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2018/19 BUDGET
RISK MANAGEMENT DIVISION
INSURED PROGRAMS (S/F 581)**

PROPOSED BUDGET BOOK - Page # 228-230

BACKGROUND

This internal service fund administers a Miscellaneous Insurance Program for the City and Jacksonville Port Authority. Along with other policies, the City maintains property coverage, aviation insurance, a blanket crime policy, and a policy covering the River Walk.

REVENUE

1. Charges for Services
 - This represents the billings to using agencies. The increase is due to a net \$980,703 increase in the overall costs of the program.
2. Investment Pool / Interest Earnings
 - The decrease of \$3,101 is to align with the projected available cash and the interest rate projected by the Treasury Division.
3. Transfers from Fund Balance
 - This amount of \$545,921 consists of the following:
 - \$500,000 to pay the City's deductible for any FY 2018/19 incidents (it will be billed back to the using agencies in FY 2019/20, if incurred)
 - \$45,921 for the FY 2017/18 pension reform contingency

EXPENDITURES

1. Salaries
 - The net increase of \$11,959 is mostly due to:
 - an increase of \$22,902 in salaries due to the collective bargaining agreements
 - a decrease of \$11,370 in part-time salaries based on expected usage
2. Pension Costs
 - The net increase of \$20,231 is mainly due to salary increases and employee turnover.
3. Employer Provided Benefits
 - The net increase of \$20,309 is primarily due to an increase in group hospitalization insurance due to the five contribution "holidays" that occurred in FY 2017/18.
4. Internal Service Charges
 - The net decrease of \$18,550 is mainly due to a decrease of \$15,239 in computer maintenance and security allocation caused by a decrease in agency specific application services and a decrease of \$5,064 in OGC allocation to align with the actual usage.

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COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2018/19 BUDGET
RISK MANAGEMENT DIVISION
INSURED PROGRAMS (S/F 581)**

PROPOSED BUDGET BOOK - Page # 228-230

5. Insurance Costs and Premiums

- The net increase of \$1,136,325 is mainly due to the following increases to align with the actual expenditures occurred in the current fiscal year due to market fluctuations and adverse experience:
 - \$845,000 in property liability policy (hurricanes)
 - \$243,788 in excess worker's compensation policy (claims experience)
 - \$56,650 in excess general liability (claims experience)

6. Professional and Contractual Services

- The decrease of \$55,000 is to align with expected costs.

7. Supervision Allocation

- This amount represents the cost of the administrative staff housed in this subfund which are allocated to the Self-Insurance subfund (S/F 561). The increase of \$14,471 is due to an increase in the administrative costs in this subfund (more costs are billed out).

8. Indirect Costs

- This is an allocation of costs to operate central services of the City (e.g. Finance and Administration, Employee Services and City Council) as calculated by the City's independent consulting firm.

9. Contingency

- The proposed contingency amount is part of the overall pension reform reserves being set aside to offset future salary increases agreed to in the collective bargaining agreements. The total includes \$45,921 from FY 2017/18 and \$13,900 for FY 2018/19.

EMPLOYEE CAP CHANGES:

There are no changes.

RECOMMENDATIONS:

None

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2018/19 BUDGET
FINANCE AND ADMINISTRATION
GENERAL FUND/GENERAL SERVICES DISTRICT (S/F 011)**

PROPOSED BUDGET BOOK - Page # 189-191

BACKGROUND:

The General Fund/General Services District portion of the department houses the Office of the Director (which includes the Grants and Contract Compliance Office and the Gateway Customer Service Center), Accounting, Budget Office, Treasury and Procurement (including Buying and Administration, the Equal Business Opportunity Office and the Office of the Ombudsman).

REVENUE:

1. Charges for Services:

- This revenue totaling \$66,096 is generated by the Equal Business Opportunity Office for training it provides to independent authorities.

2. Miscellaneous Revenue:

- This revenue represents payroll fees including child support deductions and union/police charity deductions as well as accounting service charges related to the Tourist Development Council.

EXPENDITURES:

1. Salaries:

- The increase of \$462,102 is primarily due to the scheduled raises related to the collective bargaining agreements, two (2) new positions being added in FY 2018/19, and salary increases for some positions approved in FY 2017/18.

2. Pension Costs:

- The increase of \$144,872 is mainly due to salary increases noted above and employee turnover.

3. Employer Provided Benefits:

- The increase of \$169,073 is mainly due to increases in health insurance as a result of the five contribution “holidays” during FY 2017/18.

4. Internal Service Charges:

- The decrease of \$167,702 is due to:
 - A decrease of \$448,251 for computer system maintenance and security cost allocation primarily due to the ERP system implementation charges being charged to Employee Services, and the completion of various projects (upgrade of applications to a .Net framework, a website with grant information for non-profit organizations, and server security upgrades) during FY 2017/18.
 - An increase of \$259,363 for legal cost allocation due to actual usage.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2018/19 BUDGET
FINANCE AND ADMINISTRATION
GENERAL FUND/GENERAL SERVICES DISTRICT (S/F 011)**

PROPOSED BUDGET BOOK - Page # 189-191

5. Professional and Contractual Services:
 - The decrease of \$73,300 is primarily due to the funding for the scanning and indexing of the backlog of accounting records that was completed in FY 2017/18.
6. Other Operating Expenses:
 - The decrease of \$119,491 is mainly due to a decrease of \$120,095 in software/hardware maintenance and licenses for grant management system software that was funded in FY 2017/18.
7. Capital Outlay:
 - The decrease of \$25,500 in office furniture and equipment is due to the full payment of two microfiche reading systems purchased during FY 2017/18.
8. Debt Service:
 - This line item represents the funding for banking service charges of the City.
9. Grants, Aids, and Contributions:
 - The decrease of \$400,000 is due to moving the funding for the ex-offender employment program to non-departmental expenses.

DIVISIONAL CHANGES:

- The increase of \$18,966 for Accounting is primarily due to:
 - An increase of \$224,360 in salaries mostly resulting from one (1) new Assistant Comptroller position being added in FY 2018/19 and scheduled raises related to approved collective bargaining agreements.
 - An increase of \$88,115 for health insurance as a result of the five contribution "holidays" during FY 2017/18.
 - An increase of \$61,952 in pension costs due to salary increases and employee turnover.
 - A decrease of \$276,307 for computer system maintenance and security cost allocation primarily due to the ERP system implementation costs being moved to Employee Services and the completion of various projects during FY 2017/18.
 - A decrease of \$73,800 in contractual services due to the scanning and indexing of the backlog of accounting records that was completed in FY 2017/18.
 - A decrease of \$25,500 in office furniture and equipment due to the two (2) microfiche reading systems purchased during FY 2017/18.
- The increase of \$137,002 for the Budget Office is primarily due to:
 - An increase of \$88,179 in salaries is primarily due to employee turnover and scheduled raises related to approved collective bargaining agreements.
 - An increase of \$43,298 for pension costs due to salaries increases as noted above.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2018/19 BUDGET
FINANCE AND ADMINISTRATION
GENERAL FUND/GENERAL SERVICES DISTRICT (S/F 011)**

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- An increase of \$23,200 for health insurance as a result of the five contribution “holidays” during FY 2017/18.
- A decrease of \$16,451 in computer system maintenance and security allocation due to the completion of various projects during FY 2017/18.
- The decrease of \$255,779 for the Office of the Director is primarily due to:
 - A decrease of \$400,000 in subsidies and contributions to private organizations due to funding of the ex-offender employment program being moved to a non-departmental line item.
 - A decrease of \$120,000 in hardware/software maintenance and licenses in costs for a new grant management system software that was funded in FY 2017/18.
 - A decrease of \$41,971 for computer system maintenance and security allocation.
 - An increase of \$276,630 for legal cost allocation based on actual usage.
 - An increase of \$31,726 in salaries due to scheduled raises related to approved collective bargaining agreements.
- The increase of \$43,350 for Procurement is primarily due to:
 - An increase of \$60,975 in salaries mostly due to scheduled raises related to approved collective bargaining agreements and the addition of one (1) position. This is partially offset due to reclassifying one position to another position.
 - An increase of \$45,281 in pension costs due to the salary increases and employee turnover.
 - An increase of \$44,531 in health insurance is mainly the result of the five contribution “holidays” during FY 2017/18.
 - A decrease of \$107,137 for computer system maintenance and security allocation due to the completion of server upgrades, installation of a new enterprise document management software, and a decrease in the estimated hours for maintenance activities.
- The increase of \$59,212 for Treasury is primarily due to increases in salaries mostly related to scheduled raises due to collective bargaining agreements and salary increases for some positions approved in FY 2017/18.

CAPTIAL OUTLAY CARRYFORWARD:

General Fund	011 – Finance and Administration	Amount
AFBU011CS – Budget Office	06427 – Computer Equipment & Software	\$9,060

SERVICE LEVEL CHANGES:

None.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2018/19 BUDGET
FINANCE AND ADMINISTRATION
GENERAL FUND/GENERAL SERVICES DISTRICT (S/F 011)**

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EMPLOYEE CAP CHANGES:

Two (2) full-time positions were added, one (1) Assistant Comptroller position to Accounting, and one (1) Manager of Purchasing Services – Assistant position to Procurement, bringing this Department's cap up to 105.

RECOMMENDATION:

None.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2018/19 BUDGET
FINANCE AND ADMINISTRATION
DRIVER EDUCATION SAFETY TRUST (S/F 1HA)**

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BACKGROUND:

The Driver Education Safety Trust was authorized by Ordinance 2002-1165-E. Funding is provided by an additional \$3 levy on each civil traffic penalty. The funding is used for driver education programs in public and non-public schools. The expenditures budgeted are managed by Duval County School Systems. This is an all-year's fund.

REVENUES:

1. Charges for Services:
 - The budgeted amount of \$300,000 represents anticipated traffic court criminal & civil service fines to be received for FY 2018/19.
2. Investment Pool / Interest Earnings:
 - The budgeted amount of \$161,644 in FY 2017/18 was an all-year's budget adjustment.
3. Miscellaneous Revenue:
 - The budgeted amount of \$32,086 in FY 2017/18 was an all-year's budget adjustment.

EXPENDITURES:

4. Grants, Aids & Contributions:
 - The amount of \$300,000 is a pass-through of 100% of the revenue to the Duval County School System.

SERVICE LEVEL CHANGES:

None

EMPLOYEE CAP CHANGES:

There are no authorized positions in this subfund.

RECOMMENDATION:

None

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2018/19 BUDGET
FINANCE AND ADMINISTRATION
MOTOR VEHICLE INSPECTION (S/F 431)**

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BACKGROUND:

The Fleet Management Division manages the inspection stations for school buses, city vehicles and vehicles for hire. Legislation related to vehicles for hire has put a hold on the revenue generated by fees on vehicles for hire for a significant period of time. The proposed budget is based on the waiver being continued and legislation has been filed (2018-531) to extend the waiver to March 21, 2019. Ordinance Code Section 110.407 provides for a permanent annual appropriation for the revenues generated by this fund.

REVENUES:

1. Charges For Services:
 - The increase of \$28,933 is comprised of a \$20,000 increase in Vehicles For Hire to match actuals with FY2017/18 and \$8,933 from the Inspection Station.
2. Transfers from Fund Balance:
 - The increase of \$6,721 is comprised of \$26,721 to re-establish the FY18 pension reform contingency as well as \$58,371 to balance the subfund.

EXPENDITURES:

1. Salaries:
 - The increase of \$4,762 is due to anticipated pay increases due to the collective bargaining agreements.
2. Salaries and Benefits Lapse:
 - The increase of \$6,125 is based on the average turnover ratio and estimated number of vacancies in FY19.
3. Pension Costs:
 - The decrease of \$13,932 is due employee turnover.
4. Employer Provided Benefits:
 - The increase of \$10,815 is due to the five contribution "holidays" for health insurance in FY 2017/18.
5. Other Operating Expenses:
 - The decrease of \$4,098 is primarily driven by a \$4,000 decrease in miscellaneous services and charges to match recent actuals.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2018/19 BUDGET
FINANCE AND ADMINISTRATION
MOTOR VEHICLE INSPECTION (S/F 431)**

PROPOSED BUDGET BOOK - Page # 197-199

6. Indirect Costs:

- The \$74,040 is an allocation of costs to operate central services of the City (e.g. Finance and Administration, Employee Services and City Council) as calculated by the City's independent consulting firm. The increase is due to this area moving into the Finance and Administrative Department, which now means this subfund receives an allocation from the Office of Directors.

7. Contingencies:

- The \$33,349 amount is being set aside as a result of pension reform to be available for future salary increases, and includes \$26,721 from FY 2017/18 and \$6,628 from FY 2018/19.

EMPLOYEE CAP CHANGES:

There are no cap changes for this fund.

SERVICE LEVEL CHANGES:

None.

RECOMMENDATION:

None.