

OFFICE OF THE COUNCIL AUDITOR

FY 2020/2021 PROPOSED BUDGET

FINANCE COMMITTEE MEMBERS

Matt Carlucci – Chair
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Meeting #7
August 21, 2020

**COUNCIL AUDITOR'S OFFICE
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**COUNCIL AUDITOR’S OFFICE
 COMMENTS AND RECOMMENDATIONS
 2020/21 PROPOSED BUDGET
 POLICE & FIRE PENSION ADMINISTRATION (FUND 65106)**

(This is not in your budget book)

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 employer contribution amount for FY 2020/21 is \$148,475,947 with \$13,800,000 of the contribution being paid from the City’s reserve within the Pension Fund.

The Proposed Police and Fire Pension Fund (PFPF) budget is divided into Administrative Expenditures (\$12,010,451), Building Operations (\$212,592) and Parking Garage Operations (\$25,365) for a total budget of \$12,248,408 which is a decrease of \$478,840 from the prior year budget of \$12,727,248.

ADMINISTRATIVE EXPENDITURES:

Administrative Expenditures	FY 2019/20 Approved	FY 2020/21 Proposed	Dollar Change	Percent Change	
Personnel Services	\$1,121,922	\$1,194,350	\$72,428	6.46%	(A)
Other Operating Expenses	1,135,320	1,029,101	(106,218)	-9.36%	(B)
Professional Services – Investments	9,778,284	9,435,000	(343,284)	-3.51%	(C)
Professional Services – Other	345,000	302,000	(43,000)	-12.46%	(D)
Capital Outlay	130,500	50,000	(80,500)	-6.17%	(E)
Total	\$12,511,026	\$12,010,451	(\$500,575)	-4.00%	

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

- \$45,955 in salaries resulting from proposed raises.
- \$13,653 in anticipated leave sellback.
- \$6,288 in the contribution to the General Employee Pension Plan as required by the actuarial study.

(B) Other Operating Expenses are decreasing primarily due to the following decreases:

- \$45,820 in the indirect cost allocation. 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. The difference is due to a reduction in costs related to the Council Auditor and Accounting Division.
- \$30,000 in copy center costs to bring the budget in line with recent actuals.
- \$25,000 in judgments and claims due to the reduction of outstanding cases.

(C) The decrease in Professional Services - Investments is due to a decrease in expected money manager fees based on prior year actuals, investment fees due to a new contract with a new investment advisor, and custodial fees based on the multiple roles and asset classes the custodian manages.

(D) The decrease in Professional Services - Other is due to decreases of \$50,000 in actuary fees and \$35,000 in legal fees based on reduced usage. This is partially offset by an increase of \$40,000 in consultant fees for a new plan consultant.

**COUNCIL AUDITOR'S OFFICE
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 POLICE & FIRE PENSION ADMINISTRATION (FUND 65106)**

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(E) \$80,500 in construction costs related to the one-time purchase of an air chiller in FY 2019/20. This is partially offset by the build out on the third floor.

Professional Services - Investments

Investment Services	FY 2019/20 Approved	FY 2020/21 Proposed	Dollar Change	Percent Change	
Money Managers	\$9,500,000	\$9,200,000	(\$300,000)	-3.16%	(F)
Investment Advisor	245,784	205,000	(40,784)	-16.59%	(G)
Investment Custodian	32,500	30,000	(2,500)	-7.69%	(H)
Total	\$9,778,284	\$9,435,000	(\$343,284)	-3.51%	

(F) The decrease is to bring the budget in line with recent actuals.

(G) The decrease is due to contract negotiations with a new advisor.

(H) The decrease is due to a reduction in fees.

Professional Services – Other Services

	FY 2019/20 Proposed	FY 2020/21 Proposed	Dollar Change	Percent Change	
Actuary	\$140,000	\$90,000	(\$50,000)	-35.71%	(I)
Outside Legal	125,000	90,000	(35,000)	-28.00%	(J)
Auditor	30,000	32,000	2,000	6.67%	(K)
Consultants	20,000	60,000	40,000	200.00%	(L)
Records Digitization	18,000	18,000	-	0.00%	
Elections Services	5,000	5,000	-	0.00%	
Appraiser for Buildings - Real Estate Investments	4,000	4,000	-	0.00%	
Medical	3,000	3,000	-	0.00%	
Total	\$345,000	\$302,000	\$43,000	-12.46%	

(I) The decrease is due to reduced analysis requests by the Pension Fund to the actuary.

(J) The decrease is due to a reduction in cases outstanding and fewer analyses requested by the Pension Fund.

(K) The increase is due to a request from the Pension Fund to increase the outside auditor's hours and shorten audit schedule to facilitate timely reporting.

(L) The increase is due to a board request for a new plan consultant.

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**COUNCIL AUDITOR'S OFFICE
 COMMENTS AND RECOMMENDATIONS
 2020/21 PROPOSED BUDGET
 POLICE & FIRE PENSION ADMINISTRATION (FUND 65106)**

(This is not in your budget book)

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 2019/20 Proposed	FY 2020/21 Proposed	Dollar Change	Percent Change	
Revenues	\$646,768	\$632,471	(\$14,297)	-2.21%	(M)
Operating Expenses	189,872	212,592	22,720	11.97%	(N)
Surplus/(Deficit)	\$456,896	\$419,879	(\$37,017)	11.13%	

(M) The decrease is due to a loss of rent resulting from a build-out on the third story for a new tenant.

(N) The increase is primarily due to the contracting of a cleaning company to improve the sanitation in the building and garage. There is also an increase in supplies to address the COVID-19 pandemic and CDC guidelines.

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 2019/20 Proposed	FY 2020/21 Proposed	Dollar Change	Percent Change	
Revenues	\$174,990	\$181,590	\$6,600	3.77%	(O)
Operating Expenses	26,350	25,365	(985)	-3.74%	
Surplus/(Deficit)	\$148,640	\$156,225	\$7,585	12.26%	

(O) The increase is due to an increase in parking rates.

EMPLOYEE CAP CHANGES:

None.

POLICE AND FIRE PENSION PLAN FUNDING POSITIONS:

Unfunded Actuarial Accrued Liability (UAAL) at October 1, 2019 (Per PFPF Actuarial Valuation Report)

Actuarial Accrued Liability (AAL)	Actuarial Value of Assets*	UAAL	Funded Ratio
(a)	(b)	(a-b)	(b/a)
\$4,036,925,117	\$1,946,967,113	\$2,089,958,004	48.23%

*Does not include reserve accounts. \$30,794,748 of reserve accounts belong to the City and \$17,000,000 is being used to reduce the City's FY 2019/20 contribution and \$13,800,000 is proposed to be used in FY 2020/21. Also, this does not reflect the present value of sales tax attributable to the plan of \$900,348,997, which if included would bring the funding ratio to 70.53%.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
2020/21 PROPOSED BUDGET
POLICE & FIRE PENSION ADMINISTRATION (FUND 65106)**

(This is not in your budget book)

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" by \$12,374 on Schedule AC in order to increase the General Employee's defined benefit pension contribution to correct the amount, reduce the group hospitalization, group life, and group dental to reflect the proper number of pay periods, and correct the Medicare amount. This will be offset by increasing "Trust Fund Revenues" by \$12,374 on REVISED Schedule AB in order to balance the budget.
- 2) We recommend increasing "Operating Expenses" by \$66,023 on Schedule AC in order to accurately reflect the internal service allocations as determined by the budget office. This will be offset by increasing the "Trust Fund Revenues" by \$66,023 on REVISED Schedule AB in order to balance the budget.
- 3) We recommend removing the "Adopted FY 20" amounts from the schedule. We also recommend adding a subtotal for Administrative costs, other formatting changes, and corrections for rounding issues as depicted on REVISED Schedule 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 2020-2021**

<u>REVENUES</u>	Adopted FY 20	Proposed FY 21
Trust Fund Revenues	\$ 11,905,490	\$ 11,434,346
Building Rental Revenues	\$ 646,768	\$ 632,471
Parking Revenues	\$ 174,990	\$ 181,590
Total Revenues Appropriations	\$ 12,727,248	\$ 12,248,407

Schedule AB

<u>EXPENDITURES</u>	Adopted FY 20	Proposed FY 21
Personnel	\$ 1,121,922	\$ 1,194,350
Professional Services	\$ 345,000	\$ 302,000
Operating Expenses	\$ 1,265,820	\$ 1,079,101
Investments	\$ 9,778,284	\$ 9,435,000
Building Operations	\$ 189,872	\$ 212,592
Parking Operations	\$ 26,350	\$ 25,365
Total Expenditures	\$ 12,727,248	\$ 12,248,407

Schedule AC

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2020/21 BUDGET
GENERAL EMPLOYEES PENSION FUND (FUND 65101)**

PROPOSED BUDGET BOOK – Page # 157 – 159

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. Only administrative costs and enough revenue to offset the administrative costs are budgeted. For FY 2020/21, the employers' pension contribution for all participants is \$76,832,977. This plan covers employees at JEA, Jacksonville Housing Authority, and the North Florida Transportation Planning Organization. The City's portion of the required contribution is \$35,310,066.

REVENUE:

1. Pension Fund Contributions:
 - The revenue amount of \$14,900,817 represents the amount of revenue needed to balance the administrative budget.
2. Transfers from Fund Balance:
 - This represents the pension reform contingency being appropriated and placed back into contingency.

EXPENDITURES:

1. Salaries:
 - The decrease of \$11,755 is due to a decrease in Permanent and Probationary Salries related to employee turnover at lower rates.
2. Pension Costs:
 - The net increase of \$1,654 is due to an overall increase in the contribution to the General Employee Pension Plan as required by the actuarial study.
3. Employer Provided Benefits:
 - The decrease of \$6,026 is mainly due to changes in employee elections for health insurance related to employee turnover.
4. Internal Service Charges:
 - The net decrease of \$7,824 is mainly due to decreases of:
 - \$5,343 in mailroom costs due to a decrease in usage.
 - \$4,428 in one-time computer refresh costs in FY 2019/20 related to the replacement of four computers and monitors.
 - \$3,133 in legal costs due to a decrease in usage.
 - These decreases are offset by an increase of \$4,623 in computer costs related to maintenance for JaxPension and the Pensioner website.

**COUNCIL AUDITOR'S OFFICE
 COMMENTS AND RECOMMENDATIONS
 MAYOR'S PROPOSED FY 2020/21 BUDGET
 GENERAL EMPLOYEES PENSION FUND (FUND 65101)**

PROPOSED BUDGET BOOK – Page # 157 – 159

5. Professional and Contractual Services:

- There are no changes to the Professional and Contractual Services budget. Below is a breakdown of the professional service contracts.

Services	FY 2019/20 Approved	FY 2020/21 Proposed	Dollar Change	Percent Change
Money Managers	\$13,101,747	\$13,101,747	\$-	0%
Outside Legal	20,000	20,000	-	0%
Custodial Fees	170,905	170,905	-	0%
Actuary Fees	100,000	100,000	-	0%
Portfolio Consultant	179,900	179,900	-	0%
Investment Mgr Performance Tracking	19,339	19,339	-	0%
Scanning/Backfiling	10,000	10,000	-	0%
Disability Exams	5,000	5,000	-	0%
Total	\$13,606,891	\$13,606,891	\$-	0%

6. Other Operating Expenses:

- The decrease of \$3,680 is mainly due to a decrease in travel expenses to better align with recent actuals.

7. Supervision Allocation:

- This amount represents the administrative costs of the Pension Administration activity, which are allocated to the Correctional Officers' Pension Fund (Fund 65103).

8. 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. The increase is related to increases in the Finance and Administration Office of Director and Treasury Division costs that benefit the General Employees Pension Fund.

9. Contingency:

- The proposed contingency amount of \$38,848 is part of the overall pension reform reserves.

SERVICE LEVEL CHANGES:

None.

EMPLOYEE CAP CHANGES:

None.

**COUNCIL AUDITOR’S OFFICE
 COMMENTS AND RECOMMENDATIONS
 MAYOR’S PROPOSED FY 2020/21 BUDGET
 GENERAL EMPLOYEES PENSION FUND (FUND 65101)**

PROPOSED BUDGET BOOK – Page # 157 – 159

GENERAL EMPLOYEES RETIREMENT PLAN FUNDING PROGRESS:

Unfunded Actuarial Accrued Liability (UAAL) at October 1, 2019 (Per Memorandum from the General Employees Retirement Plan Actuary dated April 13, 2020)

Plan Participants	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	UAAL	Funded Ratio
	(a)	(b)	(a-b)	(b/a)
COJ	\$1,652,836,428	\$1,010,001,649	\$642,834,779	61.11%
JEA	1,586,039,254	969,183,783	616,855,471	61.11%
JHA	43,338,975	26,483,223	16,855,752	61.11%
NFTPO	4,098,824	2,504,676	1,594,148	61.11%
Total Plan	\$3,286,313,481	\$2,008,173,331	\$1,278,140,150	61.11%

Does not reflect the present value of the Sales Tax revenue attributable to the plan of \$537,466,213, which if included would bring the funding ratio to 77.46%.

RECOMMENDATION:

We recommend the budget ordinance 2020-504 Section 9.4(i) be revised to remove the statement “, with an additional 0.3% of payroll for Disability” as the amounts stated already include contributions for Disability. See language below:

for the 1937 City Employees Pension Fund, in accordance with the 10/1/19 valuation, the amounts shall be as follows, ~~with an additional 0.3% of payroll for Disability:~~

- a. From the City - \$35,310,066*
- b. From JEA - \$40,401,099*
- c. From JHA - \$1,019,584*
- d. From NFTPO - \$102,228*

Further, we recommend that the disability contribution be effectively reduced by an increase in the salary and benefits lapse within the General Fund/GSD by \$158,193 to account for the fact that the additional 0.3% was included in the budget. This will have a positive impact on Special Council Contingency of \$158,193.

**COUNCIL AUDITOR'S OFFICE
 COMMENTS AND RECOMMENDATIONS
 MAYOR'S PROPOSED FY 2020/21 BUDGET
 CORRECTIONAL OFFICERS' PENSION FUND (FUND 65103)**

PROPOSED BUDGET BOOK – Page # 160 – 161

BACKGROUND:

The Correctional Officers' Pension Fund was established to provide pension benefits for the correctional officers of the City of Jacksonville. The employer contribution amount for FY 2020/21 is \$15,044,530.

REVENUE:

1. Pension Fund Contributions:

- The revenue amount of \$1,704,798 represents the amount of revenue needed to balance the budget.

EXPENDITURES:

1. Professional and Contractual Services:

- There are no changes to the Professional and Contractual Services budget. Below is a breakdown of the professional service contracts.

Services	FY 2019/20 Approved	FY 2020/21 Proposed	Dollar Change	Percent Change
Money Managers	\$1,461,831	\$1,461,831	\$-	0%
Outside Legal	2,010	2,010	-	0%
Custodial Fees	19,095	19,095	-	0%
Actuary Fees	40,000	40,000	-	0%
Portfolio Consultant	20,100	20,100	-	0%
Investment Mgr Performance Tracking	2,161	2,161	-	0%
Total	\$1,545,197	\$1,545,197	\$-	0%

2. Supervision Allocation:

- This amount represents the administrative costs of the activity which are charged to this fund by the General Employees' Pension Fund (Fund 65101).

EMPLOYEE CAP CHANGES:

There are no positions in this subfund. All positions reside in the General Employees' Pension Subfund (Fund 65101).

CORRECTIONAL OFFICERS' PENSION FUND FUNDING PROGRESS:

Unfunded Actuarial Accrued Liability (UAAL) at October 1, 2019 (Per Correctional Officer's Pension Fund Actuarial Valuation Report)

Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	UAAL	Funded Ratio
(a)	(b)	(a-b)	(b/a)
\$434,176,844	\$220,334,774	\$213,842,070	50.75%

Does not reflect the present value of the Sales Tax revenue attributable to the plan of \$95,926,136, which if included would bring the funding ratio to 72.84%.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2020/21 BUDGET
CORRECTIONAL OFFICERS' PENSION FUND (FUND 65103)**

PROPOSED BUDGET BOOK – Page # 160 – 161

RECOMMENDATION:

We recommend the budget ordinance 2020-504 Section 9.4(ii) be revised to remove the statement “with an additional 0.3% of payroll for Disability” as the amounts stated already include contributions for Disability. See language below:

(ii) The employer contribution to the Corrections Officers' Retirement Plan is hereby set at \$15,044,530, in accordance with the 10/1/19 valuation ~~with an additional 0.3% of payroll for Disability.~~

There is no need to adjust the budget because this 0.3% was not included.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2020/21 BUDGET
RISK MANAGEMENT DIVISION
SELF-INSURANCE (FUND 56101)**

PROPOSED BUDGET BOOK - Page # 151-153

BACKGROUND

This internal service fund administers a self-insured Worker's Compensation and General Auto/Liability program for the City and independent agencies such as JEA, Jacksonville Port Authority, Jacksonville Housing Authority, and Jacksonville Aviation Authority. However, Jacksonville Aviation Authority has filed legislation to separate from the City's self-insurance program. As an internal service fund, revenues are generally billings to other City funds and independent agencies.

REVENUE

1. Charges for Services: Insurance Premiums
 - This represents the insurance premiums billings to all of the participants. The increase of \$5,295,885 is due to increases in the total costs of workers compensation and general/auto liability programs.
2. Investment Pool / Interest Earnings
 - The decrease of \$242,967 is due to available cash and the projected investment earnings by the Treasury Division.
3. Transfer From Fund Balance:
 - This represents the pension reform contingency of \$105,742 from FY 2019/20 and \$105,547 for ergonomic assessment costs. (The \$105,547 for ergonomic assessments when combined with \$44,453 being billed in FY 2020/21 for ergonomic assessment costs brings the funding to for ergonomic costs in FY 2020/21 to \$150,000.)

EXPENDITURES

1. Salaries
 - The increase of \$42,411 is mostly due to raises and promotions for some employees that have already occurred.
2. Salary & Benefit Lapse
 - The proposed salaries and benefits lapse is based on the average turnover ratio and estimated number of vacancies in FY 2020/21.
3. Pension Costs
 - The net increase of \$22,099 in pension costs is mostly due to an increase in the general employees defined contribution plan based on employee turnover and pay increases.

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**COUNCIL AUDITOR’S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR’S PROPOSED FY 2020/21 BUDGET
RISK MANAGEMENT DIVISION
SELF-INSURANCE (FUND 56101)**

PROPOSED BUDGET BOOK - Page # 151-153

4. Internal Service Charges

- The net increase of \$19,277 is mostly due to an increase in in computer system maintenance and security allocation related to charges for voice/fax services, enterprise security, ERP implementation and network infrastructure services.

5. Insurance Costs and Premiums

- The increase of \$4,981,538 in the amount billed out to the participants is mostly due to:
 - an increase of \$3,942,575 for the workers compensation program driven by changes in the actuarial projections for JSO and JFRD’s workers compensation and heart and hypertension costs;
 - an increase of \$615,705 for the general/auto liability program driven by changes in the actuarial projections despite a decrease in the confidence level from 65% to 60% (confidence level in the actuary projections for the general/auto liability program was changed last time in FY 2017/18 from 55% to 65%);
 - an increase of \$422,652 in stop loss insurance plans for the general/auto liability and workers compensation programs driven by changes in the market and by an addition of \$170,000 for a new “deadly weapon protection” policy in the proposed budget.

6. Supervision Allocation

- This line represents the cost of the administrative staff housed in the Insured Programs (Fund 56301) that is allocated to this fund. The change of \$88,227 is due to an increase in the personnel costs and other operating expenses in the Insured Programs (Fund 56301) that are billed out to this subfund via the supervision allocation.

7. 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.

8. Contingency

- The proposed contingency amount is part of the overall pension reform reserves.

SERVICE LEVEL CHANGES:

None.

EMPLOYEE CAP CHANGES:

The employee cap is remaining flat, but one position was transferred in from Parks, Recreation and Community Services Department, which was offset by the transfer of one position to the Insured Programs Fund.

RECOMMENDATION:

None.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2020/21 BUDGET
RISK MANAGEMENT DIVISION
INSURED PROGRAMS (FUND 56301)**

PROPOSED BUDGET BOOK - Page # 154-156

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 recovery of damages and loss deductible customer billings. The net decrease of \$200,032 is due to a decrease of \$250,032 in loss deductible revenues. The loss deductible revenue is a direct bill to participants for any deductible paid by the fund for the recent claims. This decrease was offset by an increase of \$50,000 in recoveries of damages to align with the current year projection.

2. Charges for Services: Insurance Premiums

- This represents the billings to using agencies. The increase is due to a \$2,528,456 increase in the overall costs of the program.

3. Investment Pool / Interest Earnings

- The decrease of \$32,769 is to align with the projected available cash and the interest rate projected by the Treasury Division.

4. Transfers from Fund Balance

- This amount of \$463,821 combined with \$36,179 in billings in FY 2020/2021 is to fund the City's deductible account with \$500,000 for any FY 2020/21 incidents (it will be billed back to the using agencies in FY 2021/22, if incurred).

EXPENDITURES

1. Salaries

- The net increase of \$28,567 is due to an increase in salaries of \$55,891 which was caused by an increase in employee cap by one employee. It was partially offset by an elimination of part-time salaries of \$28,799.

2. Pension Costs

- The increase of \$20,300 is due to an increase of \$10,686 in the contribution to general employees defined contribution plan and an increase of \$9,614 in the contribution to the general employees defined benefit pension plan due to an increase in employee cap.

3. Employer Provided Benefits

- The net increase of \$5,694 is primarily due to an increase of \$3,870 in group hospitalization insurance and \$1,260 in group dental plan due to an increase in employee cap and changes in coverage elections by employees.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2020/21 BUDGET
RISK MANAGEMENT DIVISION
INSURED PROGRAMS (FUND 56301)**

PROPOSED BUDGET BOOK - Page # 154-156

4. Internal Service Charges

- The net increase of \$11,604 is mainly due to an increase of \$6,876 in computer maintenance and security allocation caused by a new charge for voice and fax services and an increase in charges related to enterprise application services.

5. Insurance Costs and Premiums

- The net increase of \$2,446,213 is mainly due to the following increases to better align with the actual costs of the policies in FY 2019/20 and account for future increases expected:
 - \$1,855,122 in property liability policy (increase of 36%);
 - \$258,039 in excess general liability policy (increase of 49%);
 - \$157,421 in excess workers compensation policy (increase of 14%);
 - \$66,225 in special events policy (increase of 210%).

6. Professional and Contractual Services

- The increase of \$39,610 is due to an increase in the cost of the information system used by the division.

7. Other Operating Expenses

- The increase of \$79,683 is mainly due to an increase in hardware/software maintenance & licenses due to an increase in the number of drive cam licenses.

8. Supervision Allocation

- This amount represents the cost of the administrative staff housed in this fund which are allocated to the Self-Insurance Fund (56101). The change of \$88,227 is mostly due to an increase in the personnel costs and other operating expenses in this fund, which increased the costs to be billed.

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.

SERVICE LEVEL CHANGES:

None.

EMPLOYEE CAP CHANGES:

One full-time position was transferred in from the Workers Compensation part of the Self-Insurance Fund in the proposed budget, bringing the authorized positions up to eight.

RECOMMENDATIONS:

None.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2020/21 BUDGET
FINANCE AND ADMINISTRATION
GENERAL FUND/GENERAL SERVICES DISTRICT (FUND 00111)**

PROPOSED BUDGET BOOK - Page # 120-122

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, the Budget Office, Treasury, and Procurement (including Buying and Administration, the Equal Business Opportunity Office, and the Office of the Ombudsman).

REVENUES:

1. Miscellaneous Revenue:

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

2. Contribution from Local Units:

- This revenue is generated by the Equal Business Opportunity Office for training provided to independent authorities.

EXPENDITURES:

1. Salaries:

- The increase of \$104,386 is mainly due to salary adjustments related to the impact of salary increases, employee turnover, and end of probation increases during the year causing an increase of \$86,395. There is also an anticipated increase in leave sellback of \$10,431 and part-time salaries of \$5,899.

2. Pension Costs:

- The increase of \$117,908 is mainly due to an increase of \$73,750 in the required contribution for the City's general employees defined benefit pension plan based on the most recent actuarial study, as well as an increase of \$43,906 in anticipated contributions to the City's defined contribution pension plan based on turnover.

3. Employer Provided Benefits:

- The decrease of \$39,165 is mainly due to a decrease in health insurance resulting from employee election changes.

4. Internal Service Charges:

- The net increase of \$6,861,692 is mainly due to an increase of \$6,808,326 in computer systems maintenance and security charges mostly related to the implementation of the 1Cloud system. These costs allocated to the General Fund/GSD were previously allocated to Employee Services.

5. Professional and Contractual Services:

- The net increase of \$9,475 is mainly due to the addition of \$10,000 in funding for the City's external auditor to assist with the preparation of the Schedule of Expenditures of Federal Awards (SEFA) and the Schedule of Expenditures of State Awards (SESA) reports.

**COUNCIL AUDITOR'S OFFICE
 COMMENTS AND RECOMMENDATIONS
 MAYOR'S PROPOSED FY 2020/21 BUDGET
 FINANCE AND ADMINISTRATION
 GENERAL FUND/GENERAL SERVICES DISTRICT (FUND 00111)**

PROPOSED BUDGET BOOK - Page # 120-122

6. Other Operating Expenses:

- The net decrease of \$20,754 is mainly due to decreases of \$12,320 in employee training expenses, caused by a decrease in the number of virtual training courses for the Budget Office, and \$8,060 in dues and subscriptions, caused by a decrease in the number of 1Cloud training subscriptions for the Budget Office.

7. Debt Service:

- This line item represents the funding for banking service charges of the City.

DIVISIONAL CHANGES:

Expenditures	FY 2019/20 Original	FY 2020/21 Proposed	Dollar Change	Percent Change	
Accounting	\$4,871,517	\$11,993,158	\$7,121,641	146.2%	(A)
Budget Office	1,342,093	1,342,199	106	0.0%	
Office of the Director	3,091,701	2,969,676	(122,025)	-3.9%	(B)
Procurement	3,201,185	3,230,630	29,445	0.9%	
Treasury	1,146,347	1,154,090	7,743	0.7%	
Total Expenditures	\$13,652,843	\$20,689,753	\$7,036,910	51.5%	

A) The net increase of \$7,121,641 for Accounting is mainly due to:

- An increase of \$6,945,257 in internal service charges mainly related to the implementation of the 1Cloud system.
- An increase of \$96,939 in salaries related to salary adjustments and funding for a part-time position.
- An increase of \$65,842 in pension costs caused by an increase in the required contributions to the City's defined benefit pension plan based on the most recent actuarial study, as well as an increase in anticipated contributions to the City's defined contribution pension plan.
- An increase of \$10,000 in professional and contractual services to provide funding for the City's external auditor to assist with the preparation of the SEFA and SESA reports.
- A decrease of \$25,590 in employer provided benefits caused by a decrease in group hospitalization insurance related to changes in employee elections.

B) The net decrease of \$122,025 for the Office of the Director is mainly due to:

- A decrease of \$144,173 in computer system maintenance and security charges related to decreases in direct billings and agency-specific application services.
- A slight decrease of \$14,465 in OGC legal costs due to a decrease in usage.
- An increase of \$30,550 in the Ed Ball Building cost allocation caused by an increase in facility costs.

SERVICE LEVEL CHANGES:

None.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2020/21 BUDGET
FINANCE AND ADMINISTRATION
GENERAL FUND/GENERAL SERVICES DISTRICT (FUND 00111)**

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EMPLOYEE CAP CHANGES:

The employee cap is decreasing by one position, from 109 positions to 108 positions. One unfunded position was moved during the year to Medical Examiner's Office.

RECOMMENDATION:

None.

**COUNCIL AUDITOR'S OFFICE
COMMENTS AND RECOMMENDATIONS
MAYOR'S PROPOSED FY 2020/21 BUDGET
FINANCE AND ADMINISTRATION
DRIVER EDUCATION SAFETY TRUST (FUND 11507)**

PROPOSED BUDGET BOOK – Page # 123 - 124

BACKGROUND:

Pursuant to Section 111.390 of the Municipal Code, funding for the Driver Education Safety Trust Fund 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, with expenditures being budgeted and managed by the Duval County School Board. This is an “all years” fund, which means once dollars are appropriated, the appropriation stays in place from year to year rather than lapsing.

REVENUES:

1. Fines and Forfeits:

- The amount of \$260,000 represents anticipated traffic court civil service fines to be received for FY 2020/21, and the appropriation of some all years capacity to offset some anticipated reduction in fines.

2. Investment Pool/Interest Earnings:

- The amount of \$30,000 represents earnings that have built up in the fund over the years.

EXPENDITURES:

1. Grants, Aids & Contributions:

- The amount of \$290,000 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 2020/21 BUDGET
FINANCE AND ADMINISTRATION
MOTOR VEHICLE INSPECTION (FUND 42101)**

PROPOSED BUDGET BOOK - Page #127-128

BACKGROUND:

The Fleet Management Division manages inspection stations for school buses and city vehicles.

REVENUES:

1. Charges for Services:
 - The amount is estimated revenue for inspection charges and wrecker application fees.
2. Transfers from Fund Balance:
 - The transfer of \$1,146 from fund balance is to balance the budget in this fund.

EXPENDITURES:

1. Salaries:
 - The decrease of \$27,737 is due to the elimination of one full-time vacant position.
2. Salary and Benefit Lapse:
 - The proposed salaries and benefits lapse is based on the average turnover ratio and estimated number of vacancies in FY 2020/21.
3. Pension Costs:
 - The increase of \$4,287 is mainly due to an increase in the required contribution for the City's defined benefit pension plan based on the most recent actuarial study.
4. Employer Provided Benefits:
 - The decrease of \$7,880 is due to the elimination of one full-time position.
5. Internal Service Charges:
 - The decrease of \$9,560 is primarily due to a decrease in tech refresh allocation of \$4,823 caused by equipment replacements that occurred in FY 2019/20 and a decrease in the fleet vehicle replacement allocation of \$2,534.
6. Indirect Costs:
 - The \$56,806 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.

EMPLOYEE CAP CHANGES:

One vacant position is proposed to be eliminated in FY 2020/21.

SERVICE LEVEL CHANGES:

None.

RECOMMENDATION:

None.