



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

Marc El Hassan, Chair

Greg Radlinski - Vice Chair

Joe Andrews, Secretary

TRUE Commission Meeting Minutes

November 3, 2011

4:00 p.m.

Attendance: Marc El Hassan (Chair), Marcella Lowe, Joe Andrews, Diane Brown, Ernest McDuffie, Greg Radlinski, Ryan Jones, Ted Wendler, Thomas Martin (dep. 5:06), Gamal Lyons, Hiron Peck, David Lane, Patti Anania

Excused: Jason Fischer

Resigned: Mike McCollum, Melodee Dew

Guest: Daniel Blanchard -commissioner nominee

The meeting convened at 4:00 p.m. with a quorum present.

Minutes

The minutes of the October 6, 2011 commission meetings were approved as distributed.

Invited speaker – Ronnie Belton, City of Jacksonville Chief Financial Officer

Mr. Belton was invited to address the topic of the City's Banking Fund. He explained that the Banking Fund developed out of a loan pool used for small scale borrowing over relatively short terms but has since grown into the primary way the City borrows for all its capital needs. The original concept of accelerating repayments and re-lending funds within the loan pool for other City uses before the underlying debt instrument is repaid has never come to fruition because of the poor economy and City budget constraints. The fund has not been detrimental to the City's finances and could prove to be useful in meeting its original goal if the economy turns around and interest rates rise in the future. In response to a question from Chairman El Hassan about the ever-increasing Banking Fund borrowing cap and how the City plans its borrowing, Mr. Belton said that the cap is increased each year to accommodate the borrowing authorized for the fiscal year by the City Council's budget. The cap has increased over time in part because all of the debt that is authorized is not issued in the year of authorization so the next year's authorization adds to the overall cap. The funds needed for each year's capital budget would be borrowed in some manner, whether the Banking Fund existed or not. The City is very careful in its debt planning, although perhaps that fact is not apparent to the outside observer. Mr. Belton stressed that all proposed borrowing is first vetted by the Mayor's office and Council Auditor's Office and then approved by City Council, so it is definitely scrutinized for need, appropriateness and effect on overall City finances.

In response to a question from Commissioner Andrews about the use of Banking Fund borrowing for ash site cleanup projects and how the funds would be repaid, Mr. Belton stated that the City has an obligation to the U.S. EPA to clean up the ash contamination and it is being paid for out of General Fund revenues, whether the borrowing is done through the vehicle of the Banking Fund or not. He believes that it makes sense to leave the revenue recouped from the sale of cleaned-up ash site lots in the contamination

remediation fund and not return it to the Banking Fund because the cleanup costs will continue for several more years and funds will be needed from some source. If the land sale proceeds paid down the Banking Fund borrowing for the cleanup, the City would just have to authorize more borrowing through the Banking Fund for the rest of the cleanup which would add another step to the cleanup funding process. The cleanup borrowing through the Banking Fund will be paid off eventually, but the extreme budget pressure precludes doing it in the near future.

Assistant Council Auditor Janice Billy said that the Banking Fund is governed by parameters set in the Ordinance Code and it complies with the established policies and debt ratios. Use of the Banking Fund allows funds to be borrowed and projects to be built when ready regardless of when the authorization takes place. She noted that particular borrowing instruments are no longer tied directly to specific project lists like they were before the City created the Banking Fund. Previously the City approved a bond issue in a specific amount for a specific list of projects. Now the Council approves a project list and a Banking Fund amount and the administration borrows via a variety of debt instruments with different terms as cash flow needs and interest rates dictate for the greatest efficiency and lowest cost.

In response to a question from Commissioner Lowe about where the Banking Fund cap will be in 5 years given that it has increased from \$151 million to \$578 million in the last 5 years, Mr. Belton said that it's difficult to project given the way the use of the fund has evolved over time from car and computer purchases to funding all capital projects. He stressed that the borrowing for the Banking Fund is well within the City's established parameters and carefully monitored. He said that the cap is not necessarily decreased if an authorized project is not constructed – it could be just delayed for a time, or other priorities might arise to which the cap space could be allocated with proper approvals from the administration and City Council.

On other topics, in response to a question from Commissioner Wendler about whether the 5-year General Fund revenue and expense projections in the city budget ordinance are realistic, Mr. Belton said that they were. He also agreed that the city's pension plans, both the unfunded accrued actuarial liability (UAAL) and the increasing annual costs, are an extremely serious problem, both in Jacksonville and across the nation. There are discussions going on with various parties and lots of moving parts to consider, and he is not at liberty to discuss them at present. The state will almost certainly mandate new actuarial assumptions within the next year that will drive up the UAAL substantially. In response to a question from Commissioner Andrews he stated that the City does not have any plans at this time to issue pension obligation bonds or participation certificates.

In response to a question from Commissioner Radlinski about how the Mayor's Education Commissioner position is being funded, Mr. Belton stated that the commissioner is a loaned executive being paid by private funds, as is his administrative support. In response to a question from Commissioner Martin he stated that state funds being recouped from the Department of Transportation for state road projects that the Better Jacksonville Plan advanced are being applied to Better Jax debt service payments. In response to a question from Chairman El Hassan about any potential looming fiscal dangers that could put the City budget in jeopardy, Mr. Belton responded that pension funding requirements are the biggest foreseeable challenge.

Committee Reports

Legislative Tracking Committee – Commissioner Andrews reported that the committee had met once in October because there had been relatively few bills of interest introduced at recent meetings. The last pending item on the committee’s tracking matrix is 2011-521 (declaration of surplus on ash remediation properties). With regard to that bill Mr. Andrews said that he had been mistaken in his comments at a previous meeting about the properties represented in Bill 2011-521 having been remediated with Banking Fund borrowing. The funds for the remediation of these lots were arranged from sources other than the Banking Fund. However Banking Fund monies are currently being used for ash remediation on a number of sites and it is Mr. Andrews’ contention that money generated from the sale of these properties should be returned to the Banking Fund instead of being deposited in the Recreation Fund as is required by city code. He favors a future waiver of the code requirements to that effect.

Performance Committee – Commissioner Wendler stated that the committee had met just before the full commission meeting and discussed the City’s looming budget deficits as shown on the 5-year projections included in the budget ordinance. The committee plans to undertake a study of the Capital Improvement Program (CIP) process and its effect on the budget. Commissioner volunteers are needed and encouraged to delve into the budget in preparation for next year.

Mr. Wendler also reported briefly on a recent meeting he attended of the City Council’s Ad Hoc Committee on Budget Savings which heard a presentation from the Leroy Collins Institute at Florida State University on their recent study of local government pensions in Florida. The study rated the Police and Fire and Correctional Officer pension plans as “F” and the General Employees Pension Plan as “C” based on their funding percentage and unfunded liability. The presentation was fairly general and not Jacksonville-specific, and did not offer specific remedies for the troubled pension plans.

The committee also continued its previous discussion of ways to raise the TRUE Commission’s profile with City Council and to ensure that the commission’s studies and recommendations are at least heard by the Council. The idea of TRUE Commissioners attending Council and committee meetings and reading resolutions or summaries of reports into the record, either as a formal agenda item or in the public comment period, was discussed.

Audit Review Committee

Commissioner Lowe stated that the commission has reviewed all of the Auditor’s 2011 reports/audits with the exception of #694 – Supervisor of Elections audit – and #704 – City Council Revenue Review. #694 will be discussed at the next Performance Committee meeting.

Motion (Lowe): accept report #704 - City Council Revenue Review – without comment: **approved.**

Auditor’s Report

Assistant Council Auditor Janice Billy reported that, as just mentioned, report #704 – City Council Revenue Review – was recently released. A second draft of the JEDC audit has been sent to the JEDC for comment. The Auditor’s Office’s annual budget process wrap-up will be released later in November. Ms. Billy also noted that two members of the Auditor’s staff are currently assisting the City’s independent auditor in work on the City’s annual audit and another staffer is working with the JEA’s independent auditor.

Chair's Comments

Chairman El Hassan noted that several motions regarding possible vehicles for TRUE Commission reporting to the City Council were tabled at the last commission meeting and need to be disposed of in some manner. He said that he had talked with City Council Member and former TRUE Commissioner Greg Anderson who now chairs the council's Audit Subcommittee and he welcomes the TRUE Commission to come to the subcommittee's meetings and report on the commission's activities. He also encouraged the commission to take an in-depth look at the City budget. Mr. Anderson suggested that strategic studies of big issues facing the City would be very useful, and also suggested that TRUE develop a liaison relationship with the Mayor's Office and/or Finance Department. He recommended that the commission develop a standard quarterly report form to present to the Audit Subcommittee.

As a result of the discussion, Commissioner Andrews withdrew his three motions tabled at the October meeting:

- Motion to read TRUE Commission resolutions into the record at City Council meetings;
- Motion to establish a formal liaison between the TRUE Commission and City Council;
- Motion to request the Finance Department to address the commission's questions about appointing replacement personnel to succeed Mike Givens, Kevin Stork and Kent Olsen.

Commissioner Lowe stated that she had talked to City Council Member Robin Lumb who told her that he would be attending TRUE Commission meetings when possible. Janice Billy suggested that the commission might request a place on the Finance Committee agenda to make brief reports on commission activities.

The chairman announced that the City Council will be meeting on November 8th to hear a presentation from Mayor Brown on his government reorganization proposal. He also introduced Daniel Blanchard present in the audience, who has been nominated to fill one of the commission vacancies.

Old Business

None

New Business

Election of new Vice Chair: Commissioner Lowe nominated Greg Radlinski to fill the vacant Vice Chair position. There being no further nominations, Mr. Radlinski was elected by acclamation.

Commissioner Comments

None

Public Comments

None

Next meeting

The commission's next meeting will be on Thursday, December 1st at 4:00 p.m.

There being no further business, the meeting was adjourned at 5:21 p.m.

Posted 12.8.11
5:00 p.m.

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