



JACKSONVILLE CITY COUNCIL

TRUE COMMISSION LONG TERM FISCAL HEALTH COMMITTEE MEETING MINUTES February 11, 2009 3:00 p.m.

City Council Conference Room B
Suite 425, City Hall
117 W. Duval Street

Attendance: Joe Andrews (Chair), Committee Members John Palombi and Marcella Lowe

Excused: Commissioners Elaine Burnett and Robert Jones

The meeting was called to order at 3:10 p.m. by Chairman Joe Andrews.

Staff distributed Elaine Burnett's written comments from her meeting with Sheriff John Rutherford and JSO budget chief Maxine Person. She posed three questions to the Sheriff as recommended by the committee at an earlier meeting and provided the written responses for the committee's consideration. The committee discussed whether the Sheriff's Office adequately answered the questions the questions and felt that more digging and questioning and refining is needed to fully understand how the Sheriff's budget operates.

Commissioner Palombi reported on his meeting with the Council Auditor's staff regarding next year's budget. Where are the major holes looming? 1) Jacksonville Journey – funded at \$31 million in the current budget with one-time money; 2) pension obligations will probably double; 3) property tax revenue will probably decrease next year for the first time in memory; 4) sales tax revenue will probably decrease and state shared revenue is likely to decline as well. The total revenue reduction could be as much as \$100 million or more depending on how quickly or slowly the national economy recovers. Mr. Palombi indicated that department's don't appear to be looking for areas to reduce or eliminate entirely, but are struggling to continue meeting their missions as best they can. Almost every department in the City budget has been cut over the past decade with the exception of the Sheriff's Office and Fire and Rescue Department.

There was discussion of the need for the City to define its priorities from most important to least important, to start allocating funds to the top priorities first, and then to eliminate anything left when the available funds run out. Alternatively, a more common approach is to cut every department by the same percentage needed to balance the budget which avoids cutting out any function entirely, but isn't the most effective way to determine spending needs.

Mr. Andrews reported the results of his meeting last week with John Keane and Dick Cohee of the Police and Fire Pension Fund (PFPPF) staff. They believe that the current pension unfunded liability is largely the result of at least two forces – City pension contribution holidays and the drop in the stock markets, which is a temporary phenomenon. What is the optimum level of unfunded liability, given that the fund needs to be viewed from a long-term perspective and doesn't need to be 100 percent funded at all times to meet its obligations? This is especially true during economic recessions which come and go. One option

to fill the liability hole at the PFPF would be for the City to convey some surplus City land to the fund to use for development purposes, the value of which could be invested in the pension fund. That infusion of value would help at least somewhat.

Commissioner Lowe wondered about the effect of the addition of a City defined contribution retirement plan on the existing defined benefit plan. When employees begin choosing the DC option, doesn't that reduce the amount of funding going into the DB plan, which will just exacerbate the unfunded liability problem?

Mr. Andrews wondered why all of the City's independent authorities don't operate like the JEA and make a financial contribution (return on investment or payment in lieu of taxes) to the City annually?

Mr. Andrews will go through Auditor's Report #656 (FY08-09 budget summary) and the FY08-09 budget document to look for specific numbers to fill in the gaps in the committee's research, and will work through staff to ask Commissioners Benwick and Jones to do some legwork on specific issues that need a further look. He will work from Commissioner Palombi's proposed outline and use that as a framework for a committee report. The Council Auditor will be asked to fill in the blanks with information on next year's revenue and expenditure holes.

There being no further business, the meeting was adjourned at 4:40 p.m.

Jeff Clements, Chief
Council Research Division
630-1405

Posted 4.2.09
11:05 a.m.