

Citizens Oversight Committee (COC)
Meeting Minutes
August 16, 2007

Ron Salem called the meeting to order at approximately 6:15 pm. He explained the Mayor would be presenting on the budget.

Mayor Peyton began his remarks, along with his budget Powerpoint presentation (available on www.coj.net):

It is an interesting time at City Hall. Dealing with the budget has not been fun, but feel it is imperative to provide the leaders of the Citizens Oversight Committee the facts unfiltered. Realize that the city budget is not traditionally part of the COC's purview, but ultimately the budget impacts everything. For example – we can't discuss the courthouse project without involving the budget.

Jacksonville/Duval is very unique when compared to the other 66 counties in Florida. We have rolled the millage back for 12 years and are fairly fiscally responsible. Of course, increased property values helped us do that. The rest of the state has experienced a different trend, where the millage rates have stayed flat or even increased. Likewise, property values have escalated. This has created a perfect storm, which allowed Governor Crist to campaign on dropping taxes. As a result, we are like a dolphin in a tuna net. We had some trouble lobbying legislators on our position, because they didn't want to tailor for each county.

So based on the items the legislature passed, we're faced with two challenges: one, the tax rollback, which represents about a \$65 million problem, and two, the super exemption amendment, which represents about a \$100 million problem. As of October 1, we're looking at our millage dropping from 9.6 mills to 8.4 mills. If the constitutional amendment passes, our millage rate would drop to just 6.8 mills – that is a very significant reduction in revenue. We now have to face that there are realities – and consequences – for what happens when we cut taxes.

Also keep in mind that higher populated areas have higher taxes, but also a greater number of representatives in the House. Our situation, frankly, has been caused by issues primarily focused in South Florida.

We consider our budget in two parts: what is public safety related, and what is not. Over the last several years we've grown our public safety budget by nearly 35%; however, at the same time, we've decreased our non-public safety spending from 60% in 2000 to 52% in 2007. Non-public safety spending is less today than it was in 2004. We simply cannot continue to fund public safety on the back of other core government functions. However, we're also spending the least on police when compared to other major cities. The audit going on now will likely suggest we need to spend more.

We're not the lowest on the scale when it comes to spending on fire protection, but we're the second lowest. Perhaps the most embarrassing statistic is our parks spending – we spend over fifty dollars *less* per capita on our parks than our next closest major city, Miami/Dade. Ft. Lauderdale/Broward spends over *four times* as much as we do. We boast the largest urban park system in the United States, we maintain over 300 parks, and we do it on an extremely lean budget.

With respect to library funding, we're about the middle of the road, but that's for one reason - BJP. We added all those new libraries and expanded others, and they're expensive to run. Finding the capital dollars to build them was one thing, but finding the continual dollars to maintain them and run them properly is something else. The library budget essentially doubled – we're committed to funding them, but it's very hard to find the funds to do it. That's why we're looking at closing some on Mondays; it's not what we want to do, but may be what we need to do.

So, all this leaves us with three options: cut funding to fill the gap, find new funding to fill the gap, or a hybrid, where we cut some and find some. Cutting is the easiest, by far. But the right thing to do, I believe, is to make the commitment to invest in our community, while generating revenue and protecting what revenue we already have.

Our first task was to begin cutting the budget to a level that is as responsible as possible. Through that effort, we were able to identify \$38.5 million in reductions, which again represents the greatest level of cuts we felt comfortable proposing. However, those cuts still leave us with a sizable hole - \$26.5 million. Cutting the budget simply isn't going to get us where we need to be.

We had to take a hard look at our community's future needs. For example, we're facing federally-mandated TMDL (total maximum daily load) requirements for the St. Johns River. We'll have to do a better job of capturing our storm water and treating it to protect the health of the river. It's the right thing to do, but also represents millions of dollars of needed improvements.

Another issue is the sunset of the BJP. Several programs funded by BJP, such as resurfacing and new sidewalk construction, are, in reality, recurring maintenance items that will need to continue after the BJP funding runs out. It's another case where we used one-time money on something that is a recurring expense, and it's a practice I am committed to ending in our government.

Ash clean up is another issue – long ago, using ash as fill was considered a best practice. Obviously today we understand the detrimental effects that activity had on our environment. BJP provided some funding for the clean up effort, but not enough to sustain it.

The Southbank Riverwalk is a wonderful community asset, but one that has been somewhat neglected. Parts of it need to be replaced. We also need to focus on the maintenance of our bulkheads, particularly on the Northbank under the Landing. The Trail Ridge landfill needs to be expanded and the Cecil Commerce Center needs more infrastructure to support the development we're trying to bring to that area. Not to mention the \$700 million obligation we have to the pension fund.

The port is another huge asset, but one that needs our attention. It's ranked among the busiest on the east coast, and generates nearly 6,000 containers that end up on our roads. We need to support those roads to get goods out efficiently, which in turn will enable us to continue competing for future growth.

The truth is, we've been living with all our eggs in one basket – property taxes. And we discovered how much control Tallahassee has over us and our future. If we don't diversify our revenue streams, we put ourselves at risk and at the mercy of decisions made in Tallahassee.

The fee structure we're proposing is undoubtedly controversial, but that other cities in the state have already implemented. The solid waste fee we're proposing is \$5 per month, starting in April 2008. Commercial developments already pay it, the Beaches communities already pay a solid waste fee. I remember the last time this was suggested – it cost Tommy Hazouri the election. Now is the time.

Next is a utility franchise fee, which would equate to 3% of utility bills, also starting in April. It will be based on consumption. We determined that if JEA were privately owned, the city would receive more based on their use of property and other benefits they get. While JEA does make a contribution to the city every year, it doesn't nearly equate to what we give them. We certainly don't need to sell JEA – we get a tremendous benefit from having a publicly owned utility.

We realize the need for sensitivity when it comes to low income residents – JEA already has the neighbor-to-neighbor program, but we're looking at other ways to assist, maybe through increasing efficiency and reducing overall consumption. Whatever happens, we do need to protect our low income residents.

Finally, we're proposing a stormwater fee. The proceeds from this fee would only be used on drainage improvements and stormwater treatment. Collection would be formula-driven - the average homeowner would pay roughly \$5 a month. The same concept applies here as trash collection – we, the city, incur a cost to deal with it. Only in this case, we're dealing with the runoff into the river in terms of the TMDL requirements. Usually we discuss that in environmental terms, not in the context of a budget crisis, but at the end of the day this fee will provide a vehicle for us to clean up our river, which I think we all can agree is a necessary investment.

As you see on this slide, the average homeowner in Jacksonville, assuming an median assessed home value of \$160,000, can still expect a savings of over \$90,

even with the fees we're proposing. We're not looking to totally negate the property tax savings brought about by the actions in Tallahassee, but we do recognize that we have to offset that impact to our budget by diversifying our revenue streams.

Now, when we consider the impacts of the constitutional amendment looming in January, to include the full year of fees opposed to the shortened term we're proposing at the outset, the average homeowner in Jacksonville will see a savings of over \$611.

When we look at where Jacksonville falls in relation to other large cities in the state, it's clear that even with the new fees we are still an attractive, low-cost place to live. And we're still a competitive place to do business compared to similar-sized cities around the country.

Jacksonville is the 12th largest city in the United States with a budget bigger than two entire states. Ultimately, however, the question we have to ask ourselves is, "What kind of city do we want to be?" I offer that we want to be a city that takes care of its environment, its infrastructure, its residents, and a city that has the ability to plan its future without being totally at the mercy of actions taken in Tallahassee. We have to have some control over our future, and these fees and this budget that Council is considering is a step in that direction. I am confident that it represents the best compromise between making our government more efficient and streamlined, and finding new sources of revenue outside of property taxes that have carried us this far.

Chairman Salem and the Mayor then opened the floor for questions.

Q. Is there a simple way to present the impacts of the proposed constitutional amendment that will allow property owners to know the true impacts?

A. The amendment gives the option to stay with the Save Our Homes cap or go with the super-exemption. Our challenge with the super-exemption is that we will lose millions. Realtors are all for it, police and teachers are against it. We're moving forward assuming the worst.

Q. The fees will generate so much the first year, so much the second year...surely we will need another year to determine how the people will sway the amendment. Will we review all these fees later to see if the funding is really needed?

A. Yes – this budget represents a sort-of middle-of-the-road approach. We will look at it every year, through the budget process. Our culture is to reduce, not increase. These fee proposals wouldn't have flown at all if Tallahassee hadn't acted. Also, though, Tallahassee won't let us charge more than the service actually costs us to provide.

Q. How does the budget impact Council?

A. No bond issues, no City Council discretionary funds – the lollipop days are at an end.

Q. It seems these fees will hit lower income people the hardest. Seems like the franchise fee is really a utility tax – those bills will go up with the rate increases, correct?

A. We haven't decided where the fees will show up. Those with lower incomes would prefer billing monthly on their JEA bill. But we may hear that yearly is the way to go. We also haven't determined if there would be any discount for paying early.

Q. Have you considered the override?

A. Absolutely – we lobbied for it just to give us the option to consider. Ultimately, however, it would put us right back to a place we're trying hard to get away from, and that is using one-time money to pay recurring costs. It is absolutely in our best interest to provide a reliable, predictable mechanism to pay for those recurring costs. To take the override would just make us hold on to the past.

Mayor Peyton excused himself to travel to another engagement. Chairman Salem called on Dave Schneider to provide an update on the Courthouse:

Last time I was here, we introduced the Auchter/Perry-McCall team and presented an overview of our options for the Courthouse, including the ordinance plan for a civil facility and our preference, a consolidated facility.

Shortly after that meeting, we terminated our contract with that team after we learned that Auchter was having some serious financial problems. At that point, we had a few options available – re-bid the entire thing; give part of it to our existing owners' consultant, Spillis Candela; or start negotiations with the #2 respondent to the original RFP, Turner Construction with KBJ Architects.

We are now in negotiations with Turner/KBJ, which presented us with a 788,000 square foot facility, which admittedly is larger than the Auchter option we were pursuing, and will cost more initially. But the thing we particularly like about it is that the cost per square foot in the Turner concept is lower than the Auchter one, so we'll essentially get more for our money and avoid having to build so soon after the initial facility is done.

Q. So we're staying with a single building – does that mean streets will stay closed?

A. The ones that are currently closed will stay closed. Council passed legislation stating we can't close Monroe Street again, nor do we want to.

The meeting adjourned at 7:30 p.m.