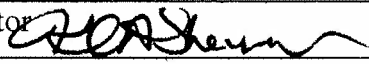




MEMORANDUM

|                 |                                                                                                                                                                                                |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Date:</b>    | January 22, 2014                                                                                                                                                                               |
| <b>To:</b>      | All City Council Members                                                                                                                                                                       |
| <b>CC:</b>      | Karen Bowling, Chief Administrative Officer<br>Ronnie Belton, CFO<br>Gerald Behrendt, Comptroller<br>Glenn Hansen, Budget Officer<br>Peggy Sidman, Deputy General Counsel, Legislative Affairs |
| <b>From:</b>    | Kirk A. Sherman, Council Auditor                                                                             |
| <b>Subject:</b> | General Fund Recapture Amounts for Fiscal Year 2012/13                                                                                                                                         |

In accordance with Ordinance Code Section 106.106 (i), the Administration has submitted to my office its recommendations for the annual recapture of General Fund monies from General Fund Supported Operating Funds and Sub-Funds.

As part of the annual audit close out process, the equity within sub-funds which receive a substantial portion of their funding from the General Fund is analyzed. Each sub-fund's financial position is reviewed to determine if its equity is more than necessary as a result of more money being transferred from the General Fund to the sub-fund than needed. Excess equity is to be recaptured and returned to the General Fund. The purpose of this recapture is to reduce the General Fund's operating subsidy and increase Operating Reserves and thereafter the Emergency Reserve. Although the City's FY 2012/13 independent audit is still in progress, the Finance Director's quarterly summary for the twelve months ended September 30, 2013 disclosed that General Fund expenditures and encumbrances exceeded revenues by a total of \$21.0 million for an overall unfavorable budget variance of (\$7.9) million, which will reduce the City's Operating Reserve. Any monies recaptured will help offset this negative impact on the Operating Reserve.

Per the Ordinance Code, the Council Auditor is to review and comment on the proposed recapture recommendation. Our review included recalculating the cash and fund equity of all sub-funds which receive contributions from the General Fund. After our discussions with the Finance Department, the Administration submitted a revised recapture recommendation as seen on the attached Recapture Calculation sheet.

The Finance Department provided the maximum and recommended recapture amounts shown below.

| <u>Subfund</u>             | <u>Calculated<br/>Recapture<br/>Amount</u> | <u>Recommended<br/>Recapture<br/>Amount</u> | <u>Council Auditor<br/>Recommended<br/>Recapture Amount</u> |
|----------------------------|--------------------------------------------|---------------------------------------------|-------------------------------------------------------------|
| 016 - Clerk of the Court   | \$1,426,016.15                             | \$1,426,016.15                              | \$268,297.00                                                |
| 019 - Jacksonville Journey | 504,817.86                                 | 504,817.86                                  | 504,817.86                                                  |
| 01A - Special Events       | 188,625.28                                 | 188,625.28                                  | 188,625.28                                                  |
| 191 - JCC                  | 257,592.69                                 | 257,592.69                                  | 257,592.69                                                  |
| 4E0 - Convention Center    | 356,531.25                                 | 0.00                                        | 0.00                                                        |
| 551 - General Counsel      | 691,940.44                                 | 691,940.44                                  | 691,940.44                                                  |
| 751 - JEDC                 | <u>218,410.97</u>                          | <u>218,410.97</u>                           | <u>218,410.97</u>                                           |
| Total                      | \$3,643,934.64                             | \$3,287,403.39                              | \$2,129,684.24                                              |

Ordinance Code Section 106.106 (m) states that any exception to the recapture of reserves by the General Fund requires approval by two-thirds vote of all City Council members. We concur with the Finance Department's recommended recaptures with the exception of Subfund 016 – Clerk of the Court.

Subfund 016 – Clerk of the Court has \$1,426,016.15 available for recapture. The Finance Department has recommended the recapture of all available funds. However, we recommend a recapture of \$268,297, which is an amount equal to the General Fund contribution to that subfund in FY 2012/13 due to a concern regarding Florida Statutes Section 28.24 governing the use of recording fees. Recapturing less than the full amount available would require approval by two-thirds vote of all City Council members.

Fund 4E0 – Convention Center has available fund balance of \$356,531.25 but the Finance Department has not recommended it for recapture due to a deficit of (\$4,337,811.85) in all venue funds when viewed as a whole. We concur with this approach, but the Ordinance Code does not contemplate netting similar funds together. Therefore, we believe exclusion from recapture would require approval by two-thirds vote of all City Council members.

We recommend legislation be introduced to waive recapture of the available fund balance of Fund 4E0 and to limit the recapture from Subfund 016 to \$268,297. We also recommend that this legislation clarify the provisions of Ordinance Code Section 106.106 to allow the venue funds to be viewed as a whole in the annual recapture process.

Please contact me at 630-1625 if you have any questions.

**Amounts include 1 mo. budget reserve of Fund Balance or Retained Earnings**

Accounting Division  
Recapture Calculations

**\*\*\* Final Draft \*\*\***

FY2012- 2013 Amounts including 1 months Budget against FB/RE for most subfunds.

**The following subfunds are recommended to be recaptured:**

| <u>Subfund</u>                            | <u>Maximum<br/>Recapture Amount</u> |
|-------------------------------------------|-------------------------------------|
| 016 Clerk of the Court                    | 1,426,016.15                        |
| 019 Public Safety Initiative(jax journey) | 504,817.86                          |
| 01A Special Events                        | 188,625.28                          |
| 191 JCC                                   | 257,592.69                          |
| 551 General Counsel                       | 691,940.44                          |
| 751 JEDC                                  | <u>218,410.97</u>                   |
| Subtotal                                  | 3,287,403.39                        |

**The following subfunds are not recommended to be recaptured:**

|                                   |                     |
|-----------------------------------|---------------------|
| ITD                               |                     |
| 531 ITD (Operating)               | (6,343,402.24)      |
| 533 ITD Communications            | (374,715.09)        |
| 534 ITD - Radio Communications    | 1,894,462.22        |
| 536 ITD - Tech System Development | <u>847,938.23</u>   |
|                                   | (3,975,716.88)      |
| Enterprise Funds                  |                     |
| 4A0 Everbank Field - Events       | (160,584.92)        |
| 4B0 Memorial Arena - Events       | (2,992,988.57)      |
| 4C0 Baseball Stadium - Events     | (118,378.34)        |
| 4D0 Performing Arts - Events      | (1,099,655.02)      |
| 4E0 Convention Center - Events    | 356,531.25          |
| 4F0 Equestrian Center             | <u>(322,736.25)</u> |
|                                   | (4,337,811.85)      |
| Other Subfunds                    |                     |
| 015 Property Appraiser            | (254,837.07)        |
| 017 Tax Collector                 | (1,481,971.55)      |
| 511 Motor Pool (Fleet)            | (2,903,404.17)      |
| 521 Copy Center (Procurement)     | (30,747.42)         |