

City Council Special Committee identifies over 50 million in City accounts available for capital projects without borrowing... and cleans up over a hundred million in accounting errors that occurred over the last 15 years

The Special Committee on CIP (Capital Improvement Program) is wrapping up its work on scouring City accounts for unused funds and re-appropriating them to needed projects. The committee, Chaired by Councilwoman Lori Boyer, includes Council Members Greg Anderson, Bill Gulliford, John Crescimbeni, and Matt Schellenberg. The committee racked up some impressive numbers in the process introducing 15 bills, closing the books on over 1200 projects—some that were completed over a decade ago; identifying over \$50 million dollars available for future capital projects; reducing debt authorization by another 6 million beyond the reduction passed in September; transferring or appropriating \$25 million to ongoing projects to allow them to move forward without borrowing; and cleaning up years of accounting errors and discrepancies that totaled well over a hundred million dollars. To date, the committee has met for more than 42 hours on the project and the City's Finance Department and Council Auditors have spent many times that reviewing and researching projects and funding sources. The committee will turn to policy recommendations this week in an effort to insure correct accounting and project reporting on an on-going basis and prevent the need for such a clean-up in the future.

The committee tackled the Better Jacksonville Plan projects, storm water projects and general capital projects as well as the last 15 years of bond issues and borrowing, including the Banking Fund. Projects that were completed but had residual funding were closed and the funds transferred to reserve accounts to be allocated by the Council for future projects. Projects that were closed but had remaining borrowing capacity led to the reduction of total authorized borrowing. Other funds from interest earnings and unspent balances were appropriated to current capital needs for roadway resurfacing, drainage projects and sidewalks, among others.

Perhaps most importantly, the committee's inquiry forced the cleanup of years of accounting mistakes. First, it is important to recognize that some of the errors date back many years and the problem was not created by this administration. The issues started to become apparent to Council several years ago when inquiries into particular project budgets resulted in changing numbers and discrepancies from one report to another. Despite pressure from Council members to address the issue, nothing was done until the formation of this Special Committee. I am personally grateful not only to my committee members, but especially to the Council

Auditors and Finance Department staff and Teresa Eichner, who put in many hours on research and production of exhibits, as well as the operating departments who faithfully provided input on project status.

Some of the discrepancies in accounting found in various bond issues and the local option gas tax date back a decade or more. This does not mean that funds were spent inappropriately or money lost, but it does reflect a systemic failure in our accounting for capital revenues and expenditures. Errors range from typographical transpositions, to decimal locations, to double booking of budgets authorized by Council. For example, if Council authorized \$500,000 for bridge repairs and subsequently transferred \$150,000 to a specific bridge project but the entry was not made to reduce the original budget from \$500,000 to \$350,000, the budget authorization is partially duplicated. The problems are exacerbated because capital funds are "all-years" funds- that is they do not close out at year end but continue in existence forever until expressly closed. In the case of the Local Option Gas Tax funds that were transferred to JTA as part of the Better Jacksonville Plan, the budget was commingled with other City accounts and stayed on the City books. The CIP committee directed that a separate account be created for this pass through so revenue received and the transfer to JTA can be tracked transparently. In other examples, the budget authority of a bond issue was exceeded on properly authorized projects because the project budgets anticipated additional interest revenue that did not materialize. The committee's cleanup would transfer funds from other interest earning to cover shortfalls such as these. The magnitude of the budget cleanup is daunting on paper- over half a billion dollars, but the Council Auditors have reviewed the Finance Department documents and research and have assured the committee that the actions are not covering up any malfeasance.

The CIP committee was formed at the beginning of the fiscal year because members felt that they could not authorize additional borrowing for capital projects without a clear understanding of where we stood with existing debt and previously authorized projects. Last year Mayor Brown suggested that the City borrow an additional 223 million dollars for an array of capital projects. While there are indeed more capital needs than available funds, it was clear that our City operating budget could not absorb the debt service going forward on such a program and we will need to manage both what we owe and our ability to make payments on that debt. We have now identified funds available for future projects without debt, and are creating the stable ground that allows us to make appropriate debt decisions for our future. Among the policy topics we will be addressing are the "debt affordability" parameters in the municipal code, whether to permit deficit spending in the future, and whether the Banking Fund is the best debt vehicle going forward.

Special CIP Committee work products

2015-113: closed out 285 BJP Projects with zero budgetary balances

2015-193: closed out 82 completed BJP projects and transferred \$18,742,108 of remaining budgetary capacity into a special council reserve for possible future pay-as-you-go projects based on receipt of sufficient sales tax revenue exceeding BJP debt service needs.

2015-194: closed out 63 completed BJP council district projects and returned \$257,716 in cash or budgetary authorization to the accounts of origin.

2015-195: closed 563 completed projects with zero balances.

2015-196 closes 6 pay-as-you-go stormwater projects and transferred \$4,339,878 in remaining balances from those 6 and 9 other still open projects to a Council Stormwater Pay-As-You-Go contingency fund for reallocation to other stormwater projects; de-authorized \$1,918,865 of Banking Fund borrowing authorization for stormwater projects; appropriated \$2,589,648 from the Stormwater Services – Operating and Capital account to the Drainage System Rehabilitation account; appropriated \$1,067,408 for stormwater debt service cleanup; authorized a total of \$9,915,801 in transfers among ongoing stormwater projects to realign available resources with immediate needs.

2015-197: appropriates the \$4,339,878 in stormwater pay-as-you-go funds from the Council Stormwater Pay-As-You-Go contingency fund to 6 ongoing projects to supplant the need for Banking Fund borrowing for the projects; de-authorizes \$4,339,878 in Banking Fund borrowing authorization.

2015-198: appropriates \$1 million from Stormwater Master Plan/TMDL and \$1,630,514 from BMAP credit trading (\$2,630,514 total) to 4 specific drainage projects and to the Countywide Drainage System Rehab account (\$80,514).

2015-199: appropriates \$1,215,000 from the Drainage System Rehab account to 4 drainage improvement projects.

2015-226: appropriated \$294,550 from the Drainage System Rehab capital projects account to a judgments, claims and settlements account to settle an inverse condemnation lawsuit regarding a City drainage ditch.

2015-248: de-authorizes \$47,473,446 in budgetary authorization for 7 BJP road improvement projects in recognition of the transfer of responsibility for construction of those projects from the City to the JTA via the recent Interlocal Agreement, to be funded with the proceeds of the extension of the local option gas tax.

2015-275: re-appropriates \$3,787,436 back to the Downtown Historic Preservation and Revitalization Trust Fund from two abandoned projects (\$1,050,000 from the Laura Street Trio/Cameron Kuhn project and \$400,000 from the Kimmik Corp. project) and \$2,321,350 in interest earnings on that Trust Fund.

2015-276: closes out 206 council district capital projects and returns \$8,513,615 in cash or budgetary authorization to the account of origin.

2015-303: the bill transfers \$1,729,566 in residual funding and authority for 9 completed or abandoned downtown projects to the Downtown Investment Authority to transfer budgetary authority for 6 area-specific projects (\$983,685,86) to the DIA and to reallocate \$745,879.73 of JEDC funding from 3 accounts to the DIA's Downtown Economic Development Fund for future use.

2015-305: amends the 5-year Road Program to close 2 completed projects, reallocating a total of \$4,442,312 from lower to higher priority projects within that overall program for FY14-15.

2015-308: de-authorizes \$1,581,262 in Banking Fund authorized borrowing and makes budget clean-up adjustments to several dozen subfunds and project accounts to rectify years of accounting errors in the posting of budgets to appropriate accounts due to changing accounting practices, confusion among similarly named project accounts, changes in project scopes, etc. The authorized transactions range from as little as a \$0.04 cleanup to allocate a few cents of interest earnings on a project account to \$454,930,502, which authorizes the consolidation of two local option gas tax accounts (\$276,898,205 and \$178,032,297) into a single account to more clearly reflect that with the adoption of the Better Jacksonville Plan and the execution of an Interlocal agreement between the City and the JTA for JTA mass transit operations, all local option gas tax funds are now being transmitted to the JTA for that purpose.