



**Task Force on Consolidated Government
Jacksonville City Council
Council Member Lori Boyer, Chair**

November 14, 2013

HIGHLIGHTS OF THE OCT. 24TH MEETING

Budget and Capital Improvement Program Processes

The budget process begins in February and is essentially an internal function controlled by the CAO, the CFO, and the Mayor, with no outside input until it is presented to the City Council in July, then the Council Auditor reviews it. The process is not zero-based, and cannot be done for multiple years because lately it has been reactionary.

- Departments are given a budget figure and then they are allowed to figure out what should be provided under that funding level; each dept. develops a list of proposed cuts to meet their number and the cuts are approved by the Administration
- Finance Dept. and Council Auditor's office reviewed entire budget and made determinations as to what costs the dept. can control what the dept. cannot (pension contributions, health insurance premiums, pass-through grants, etc.)
- .(pension contributions, health insurance premiums, pass-through grants, etc.)The Budget Office does take year-end fund balances into account in preparing subsequent year budgets- not as carryover, but as to whether last year's budget was too high
- In some departments carry-overs are normal and anticipated and built into the process. Any funds not encumbered for use at the end of a fiscal year are swept into General Fund fund balance unless specifically reserved by Council action
- The Budget Office tracks baseline budgets from year to year and keeps track of proposed enhancements or reductions, but does not require re-justification of every expenditure every year
- The previous year baseline is generally accepted as the baseline for the next year, and it is the changes that are carefully scrutinized
- Departments typically have the ability to shift funding within the overall budget authorization to give greater emphasis to some programs and less to other programs
- The Chief Administrative Office is the point of contact for almost all department heads and negotiates with the department heads over final budget amounts and program priorities; Office of Economic Development, Finance, and Military Affairs report directly to Mayor and budget priorities for those Departments are established by Mayor
- Because the City has been in a very reactive mode trying to fill budget holes and avoid disasters; it has been nearly impossible to plan for more than a year under those circumstances

- Ms. Moyer stated that the City’s employer contribution for the Police and Fire Pension Fund isn’t received until sometime in June, so it’s one of the last items to be fixed and it’s a large and growing cost.
- The budget process no longer utilizes MBRC as a forum for meetings between Constitutional officers, the department heads and the Mayor’s staff to determine budget priorities and prioritize programs and cuts (MBRC is noticed and public)
- The pension portion of a department’s budget is not just this year’s salary and pension obligations, but also part of the unfunded liability for that dept. which possibly is a reason why the internal service charge for the departments seem to be outside the competitive range

Budget and Capital Improvement Program processes (continued)

CIP Process

- Begins in the first quarter of the fiscal year with the Budget Office getting an indication from the Mayor’s Office of how much funding will be allocated to capital projects in the next year
- In the second quarter the Ordinance Code mandates that the Finance Department meet with the Public Works and Planning and Development Departments (acting as a CIP steering committee) to begin the process of prioritizing projects submitted by all departments and constitutional officers
- Mandatory projects (i.e. ADA settlement projects) are identified and discretionary projects are analyzed and ranked
- This year the CIP process was done differently than it had been done in prior years
 - The change was made to reduce politics and make the process more objective
 - Process is generally to:
 - Scoring committee uses scoring matrix to rank projects
 - Engage planning to est. priorities of Comp. Plan
 - Budget, finance, and admin to set a number that they are comfortable borrowing
- CIP budget is a 5 year budget but only the 1st year is funded
- The budgeted amount in the CIP budget for subsequent years for mandatory projects was zero in some cases because the cost had not been assessed yet and there was a possibility for additional funding; others were assigned zero in future years to keep debt rating up even though future need was known
- Some IT projects don’t meet the statutory definition of a “capital” improvement and these are frequently referred to the ITEC Committee for inclusion in the 5-year technology plan
- The CFO and Budget Officer made the final call on the project list.
- City Council members are not currently a part of the CIP process but the Finance Department is considering how the Council can be included in the future
 - The Finance Committee appointed a subcommittee to evaluate and add CIP projects to the list provided by the administration, but that committee didn’t know about or utilize any of the administration’s CIP work
- CIP planning process does not currently refer to the existing neighborhood action plans.
- The process will be expanded next year to include more agencies and the City Council

- This year’s plan included mostly mandatory and capital maintenance and repair items and very few discretionary, new projects, so there was probably little relationship to the Comp Plan in this very limited CIP program

Former Mayor Tommy Hazouri

Mayor Hazouri is a strong supporter of consolidation and a strong mayor form because it centralizes authority and accountability, but is dependent on the quality of the leadership. The legacy accomplishments of past mayors would not have been possible without consolidation.

- A good citizen service process is needed to address problems and ensure that public services are provided in an effective manner, and that should reduce the calls to council members for service
- There are possibilities for alternative revenue other than property tax and income tax to generate revenue for local government but that’s going to be very difficult to promote
- For most of consolidation’s history each mayor has hired a chief administrative officer to run the day-to-day business of government as an equivalent to a city manager
- CAOs have provided local government knowledge and continuity between administrations until recently but that doesn’t seem to be the case today
- The General Counsel must represent all of the City’s agencies and entities equally and can’t be seen to be beholden to the mayor
- He approved of the OGC selection process and the advisory legal opinion process to settle internal disputes without having to resort to lawsuits between City entities

Council Auditor

Many important budget factors are not available until very late in the process (June or July) and more time would be helpful. There is not definition of what a balanced budget is, and there is no proscribed mechanism for the City Council to return the budget to the Mayor.

Timing.

- The Police and Fire Pension Fund sets the annual actuarial rate that determines the City’s employer contribution rate for the pension and that happens late in the budget process in May or June, which can be very problematic for the overall budget. State law requires local governments to set the tentative maximum millage levy only 35 days after the preliminary property tax roll is certified by the Property Appraiser on July 1st, so that must be done only 2 weeks after the budget is submitted on July 15th which can be very difficult.

Balanced Budget.

- There is no hard and fast definition in the Code of what constitutes a “balanced budget.” There is no clear provision in state law or the City Charter and Code about how to return the budget to the Mayor if he/she presents an unbalanced budget.
- A “lapse factor” occurs when a department does not have all employee positions filled every day of the fiscal year, which produces an amount of savings from salaries and benefits budgeted but not expended. In recent years, administrations have begun

imposing “extraordinary lapses” which are simply budget cuts applied to departmental budgets without regard to natural salary and benefit savings possibilities. The recently completed budget process had a \$60 million extraordinary lapse that placed extreme pressure on the Council Auditor’s office and the City Council to solve a very large deficit

- This year’s budget ordinance included an Ordinance Code amendment to prohibit a lapse factor of more than 2% on the budget as a whole or more than 4% in any department.

Continuity/Institutional Knowledge

- The long tenure of the Council Auditor’s office employees is a source of continuity and institutional knowledge for the budget process
- Turnover of top level appointed officials is common as administrations change, but usually the next line of deputy directors and division chiefs stayed on. The most recent change of administrations saw a wholesale removal of several layers of administrators and an elimination of all deputy director positions. There are still several financial positions (i.e. Comptroller) that remain unfilled after 2 years.

Transfers/Carryover

- The Mayor and constitutional officers have the ability to move funding and employees to different line items and functions within the confines of their total allocation
- The changes must be reported to the Council Auditor within 3 days of the change and are frequently reported to him in advance
- It used to be common to reach the end of a fiscal year with \$10-12 million in unspent funds that could be carried over to build the budget for the next fiscal year. Recent years’ variances have tended to be negative so there is little or no carry-over from year to year
- There are only a couple of specific allowances for departments to carry-over unspent funds from one year to the next as specifically authorized by Council action – the Supervisor of Elections and the Sheriff’s Office
- Mr. Sherman disagreed with the way some departments say that the City “takes” their revenues for the General Fund when it should stay in the department
 - the General Fund heavily subsidizes the operations of all the departments and they don’t have to live entirely by their own revenues
- There is no formal statutory consequence for a department exceeding its budget