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**LONG-TERM FINANCIAL HEALTH OF THE CITY OF JACKSONVILLE STUDY  
IMPLEMENTATION TASK FORCE**

***FINAL IMPLEMENTATION REPORT TO THE JCCI BOARD OF DIRECTORS***

April 12, 1996

The JCCI study was presented to the community in June 1992. Implementation efforts got underway quickly because of action in City Council to amend the 3 percent tax cap. The Task Force met and organized itself in September. It continued its active efforts through the summer of 1994. However, rather than ending the implementation process then, it chose to wait for the change in City administration after the Spring 1995 election, to ensure that directions toward implementation begun during Mayor Austin's administration were continued during Mayor Delaney's administration. The Task Force did not feel it was achieving closure on the implementation process until the early months of 1996.

***People***

**Henry Thomas**, a management team member for the study, served as chair of the Implementation Task Force. **David Swain**, who staffed the study, provided professional staff services for the implementation effort. A small but active group of 15 volunteers participated on the Task Force. The Task Force did some of its work as a whole but also divided into three committees to focus on recommendations targeted in different directions. These committees included:

City Council Committee	<b>I. M. Subbacher</b> , chair
Mayor/Administration Committee	<b>Bruce Barcelo</b> , chair
Florida Legislature Committee	<b>Mary Alice Phelan</b> , chair

The administration of Mayor Austin voiced early support for the study's recommendations and assigned Comptroller **Bob Erickson** (who had served as a committee member and resource person during the study) as the City's official liaison to the Task Force. Although Mr. Erickson was not reappointed by Mayor Delaney, the later months of JCCI's implementation effort did not suffer from loss of this official liaison.

***Process***

Most of the Task Force's work was done in meetings with public officials. Some of these were one-on-one meetings with particular City administration officials, City Council members, or State Legislators; others were formal presentations before public bodies; and some were working sessions with groups of officials on specific recommendations. Formal presentations were made to the City Council Finance Committee, the Duval Delegation of the Florida Legislature, and the Mayor's Advisory Commission on Fiscal Policy.

In general, all public officials with whom the Task Force worked were impressed with the study report and were positively inclined to work with the Task Force toward implementation. In particular, the Austin Administration vocally supported the study's recommendations and took early actions toward implementing them. The initiative within the administration was taken by Finance Director Susan Miller, who met with the JCCI Task Force, enthusiastically supported the study recommendations, and took major steps toward their implementation. When she left City government, her successor, Mike Weinstein, continued her initiatives and remained supportive of the JCCI study. Mr. Weinstein continued in the same position in the Delaney administration, and no noticeable change in policy occurred in relation to the JCCI recommendations.

### ***Results***

Tangible progress is being made toward implementation of most of the recommendations. However, the ultimate success of this study can be measured only by the continued long-term health of the City's finances. Implementation results for each of the recommendations are summarized below.



1. *The Mayor and City Council should appoint members to a permanent citizens' commission whose purpose is to expand direct involvement of citizens in the financial planning and management of the City of Jacksonville. This commission should provide a vehicle for direct participation of citizens in the following kinds of activities:*
  - determination of basic needs for public services, desired priorities among services, and preferred levels of service;*
  - determination of future financial directions and priorities for both revenues and expenditures;*
  - decision making on financial planning and management matters in City Council and Finance Committee meetings; and*
  - monitoring and reviewing City expenditures and revenue receipts for accountability.*

Mayor Austin responded quickly to this recommendation, creating by executive order a temporary Advisory Commission on Fiscal Policy. The charge of the 18-month Commission was to study significant City finance issues and to recommend actions to guide the Austin administration's fiscal policy. Bill Birchfield chaired the Commission. JCCI Task Force members I. M. Sulzbacher and Mary Alice Phelan served as members. JCCI staff person David Swain made a presentation to the Commission on the study and its major recommendations, as they related to the work of the Commission. Bruce Barcelo, chair of the Mayor/Administration Committee, also attended Commission meetings and monitored its progress.

In February 1994, the Commission completed its work and submitted a number of recommendations. From JCCI's point of view, the most significant recommendation was creation of a permanent commission to follow up on and consolidate the work of the temporary commission. The JCCI Implementation Task Force actively supported inclusion of this recommendation.

During the spring and summer of 1994, Task Force members met with administration officials, the Council Auditor, and City Council members, seeking to turn the temporary commission's recommendation into an ordinance creating a permanent commission. All those contacted were generally supportive, and in July, City Council passed the desired ordinance. The new commission, called the **Taxation, Revenue, and Utilization of Expenditures (TRUE) Commission**, is structured and charged in such a way as to fully implement this study recommendation. It also incorporates the essence of the temporary commission's recommendation, as well as elements from a 1988 temporary commission, the original TRUE Commission. The latter was sponsored eight years ago by City Council member Eric Smith. As Finance Committee chairman in 1994, he was a key player in developing the new TRUE Commission and shepherding the bill through City Council.


The JCCI Task Force communicated with the Mayor and the President of City Council about the importance of making appointments and getting the TRUE Commission up and running. The Task Force also responded to requests for names of suggested appointees. During 1995, a number of appointments were made and approved by City Council. Others were not made, and momentum was lost in convening the Commission, despite occasional inquiries from JCCI.

In February 1996, the Task Force initiated a more concerted effort to get appointments made and the Commission convened. The delays were found to result not from active opposition but from lack of a sense of urgency or high priority for convening the Commission. Because of JCCI efforts, the process of appointment and convening is now back on track.

The Task Force expects to take two final steps before concluding its implementation efforts. These should be accomplished quite soon:

- to meet with the City Council staffer for the Commission to offer guidance concerning the charge and activities of the Commission, as these relate to the JCCI recommendations; and
- to make a formal presentation to the Commission early in its life to provide a JCCI perspective on the charge and activities of the Commission, as they relate to the JCCI recommendations.


**Bottom line:** This recommendation is on track toward being implemented. Full implementation of this and several of the other recommendations will depend heavily on the strength of the TRUE Commission in practice and its success in carrying out its charge under the ordinance.

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2. *The Mayor and City Council should provide more information in more understandable form on the government's financial condition, major financial issues, and their potential impact on long-term financial health. Both print and broadcast media should more adequately present and analyze this information so that citizens will be better informed about the financial health of the City.*

The new TRUE Commission is well positioned to implement this recommendation. Because of JCCI's efforts, the Commission is charged with publishing an annual "plain language" report to citizens on the financial status of the City. The Commission is also charged with working with the media to improve and expand the dissemination of understandable information about City finances and financial issues.

The six Citizen Planning Advisory Committees (CPACs) established during the Austin administration provide another useful forum through which City officials can share financial information, especially since one of the charges to CPACs is to advise during the budget process. In differing ways, the CPACs are beginning to become involved in financial issues. In addition, six of the appointees to the TRUE Commission represent the CPACs.

**Bottom line:** This recommendation is on track toward being implemented through the new TRUE Commission and the CPACs. The eventual success of implementation will depend on the success of the Commission and the maturing of the CPACs into effective advisory bodies.

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3. *The Mayor should greatly expand the administration's initial efforts toward improving efficiency throughout City government and should publicize the tangible results, so that citizens will be aware of improvements made. The City's efficiency-improvement efforts should emphasize:*
- systematically considering opportunities for privatization;*
  - developing and applying effective measures of efficiency, economy, productivity, and staffing needs;*
  - providing sufficient authority and support for managers so that they can manage efficiently, and holding them accountable for the results; and*
  - centralizing financial planning and management to eliminate duplication in accounting operations.*

Resource people reported to the study committee the Austin administration's commitment toward efficiency improvement. Therefore, the recommendation calls for expansion of previously initiated efforts. The JCCI Task Force found that the administration, especially through Finance Director Susan Miller, was continuing to emphasize and expand efficiency-improvement efforts. Privatization was being considered in several areas, including public parking and vehicle lube and oil servicing. The public sports and entertainment facilities were being privatized. In addition, new efficiency and accountability measurement was being instituted, TQM concepts were being instilled throughout the government, and duplicate accounting operations in some of the departments were being eliminated. These efforts were continued under Mike Weinstein.

**Bottom line:** The Austin administration made progress toward improving efficiency and management accountability within the City departments and agencies. The Delaney administration has continued the commitment to efficiency and accountability. Having a strong TRUE Commission in place will be important in keeping the administration focused on efficiency improvement.

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4. *Through City Council action or citizen initiative, the City should overhaul its management of personnel to eliminate the inefficiencies resulting from overlapping civil-service and collective-bargaining systems.*

Despite efforts by the JCCI Task Force and discussion in the temporary Fiscal Policy Commission, little or no specific progress was made on this recommendation. Opinions differ in City Hall about how much the existing structures of civil service and collective bargaining contribute to inefficiency. However, officials agree that these systems are deeply entrenched and will not easily be changed.

**Bottom line:** The entrenched civil-service and collective-bargaining systems seem largely impervious to change except on their own terms. Despite efforts by JCCI and others, little progress has been made toward reforming these systems consistent with this recommendation.

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5. *The City's collective bargaining negotiators should take a strong position with its employee unions to maintain compensation and benefits which are comparable with those in the private sector and which will not jeopardize future financial health.*

The Austin administration contracted for a "pay and classification" study as one means of assessing and improving personnel efficiency in City government. The results of this study have provided a tool for implementation of this recommendation through the City budget, beginning with the 1995-96 budget.

The Delaney administration has recently raised a new issue in its renegotiation of union labor contracts. A proposal has been made to offer full pension benefits after 20 years of service for all City employees. The proposal has been made in the context of other provisions that would hold down salaries and reduce positions. Still, the long-term financial implications of the 20-year pension proposal are not clear. This is the kind of issue that the TRUE Commission is intended to study and advise about.

**Bottom line:** The recommendation appears to be on track toward implementation, especially with the prospect that the TRUE Commission will consider issues such as the new pension proposal.



6. *The Mayor and City Council should cooperatively develop and implement an effective long-range financial planning process, the results of which are incorporated into the annual budgeting and capital-improvement planning processes. Elements of the financial-planning process should include but not be limited to:*

- using the concepts of zero-base budgeting, so that funding decisions are based on consciously determined priorities among public services and budgeting decisions are linked to performance standards;*
- expanding the annual budgeting process to incorporate long-range financial and capital-improvement plans for both the general government and the independent authorities;*
- maintaining adequate reserve funds, determined as a percentage of annual General-Fund expenditures; and*
- providing adequate planning and funding for the maintenance, renovation, and replacement of public facilities.*

The Austin administration's primary response to this recommendation was the initiation of a zero-base budgeting process. The process was pioneered by the Administration and Finance Department in 1993 and was being expanded year by year to additional departments. The Delaney administration has applied the process to all departments and has added a focus on the development of outcome-based program objectives.

The administration has also taken steps to increase the dollars in reserve funds to adequate levels. At the time of the JCCI study, resource people agreed that the City lacked a comprehensive long-range financial planning process. Although pieces of such a process are being put into place, a comprehensive process still seems to be lacking.

The Mayor's 1994-95 proposed budget contained a provision which was questionable in terms of maintaining long-term financial strength. Included in the General-Fund operating budget were almost \$9 million in revenues derived from one-time fund transfers. Use of such revenues is not good fiscal policy and suggests that the Mayor could not balance his proposed budget with "real" recurring revenues. During the City Council's deliberations on the Mayor's proposed budget, most of these transfers were eliminated, largely at the suggestion of the Council Auditor, whom JCCI had spoken about the transfers.

**Bottom line:** The City administration is making progress on this recommendation and continues to move in the right direction. The new TRUE Commission can play an important role in keeping the administration on track toward developing a more comprehensive, ongoing process of long-range financial planning.

7. *To help ensure the City's financial Health, the Florida Legislature should return control of the Police and Fire Pension Fund to City government.*

At the time of the study, resource people, especially the Council Auditor, reported that the City could face a major, potential, financial danger if the Police and Fire Pension Fund were to become financially unstable. This situation resulted because the Florida Legislature had assigned control over the Fund to an independent Board of Trustees, while continuing the City's financial obligation to make up any shortfalls needed to make pension payments.

By the time JCCI's implementation effort got started, the situation had changed. The City and the Pension Fund Trustees negotiated an agreement which appeared to alleviate the problem. Among other things, the Trustees agreed to submit the Pension Fund budget to City Council for annual review and approval, to use the City's purchasing procedures and professional investment management to ensure fiscal responsibility, and to provide periodic financial reports to City officials. After a year, the JCCI Task Force sought information that the agreement was in fact being adhered to and was assured by the Council Auditor that this was the case. As long as the agreement remains in force, City officials, including the Council Auditor, feel that no further action is needed toward implementation of this recommendation. Therefore, the JCCI Task Force has not further pursued the original recommendation.

**Bottom line:** Although this recommendation will apparently not be implemented as written, the potential financial risk to the City which prompted the recommendation is being managed to the satisfaction of the City's finance officials. No further action by JCCI seems needed.

8. *The Florida Legislature should provide a source of funding for all new mandates imposed on local governments. It should provide funding for major existing mandates, such as comprehensive planning and growth management.*

In 1990, Florida voters passed a constitutional amendment which appeared designed to eliminate unfunded mandates. However, the provision contained a major loophole, allowing the Legislature to approve such mandates by two-thirds vote. Despite this, legislators maintained to the JCCI Task Force that they no longer approve new unfunded mandates. However, no action has been taken to fund previously approved mandates, such as the comprehensive planning and growth management mandates. Legislators made clear that no action was likely to fund previously approved mandates.

**Bottom line:** The Legislature now seems sensitive to the problem of creating unfunded mandates. However, such mandates can still be created, if an extraordinary majority of legislative votes can be obtained, and no action is being taken to fund previously approved mandates. Despite this incomplete implementation, the JCCI Task Force finds no further action it could take now or in the foreseeable future.

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9. *The Florida Legislature should initiate and the citizens should approve a constitutional amendment guaranteeing the half-cent of sales tax now allocated to local governments by statute.*

Legislators did not seem inclined to take the initiative on this recommendation unless a groundswell of support for it were to emerge. Duval Delegation members contacted by the JCCI Task Force felt that the existing statute was pretty secure. However, they suggested that a push for a constitutional amendment might backfire, putting the statute in jeopardy. The JCCI Task Force also contacted the Florida League of Cities and the Florida Advisory Commission on Intergovernmental Relations. They knew of no groundswell among local governments for a concerted statewide effort to gain a constitutional amendment. Local governments apparently feel sufficiently secure with the half-cent of sales tax in statute form and don't want to expend political capital pushing for a constitutional amendment. These sources also pointed out that many local governments have helped to make this tax more secure by committing it for bonded debt-service payments. Jacksonville has not bonded its half-cent sales tax, so the JCCI Task Force suggested this option to City officials.

**Bottom line:** Because of all these dynamics, no progress has been made toward implementing this recommendation. The JCCI Task Force finds no further action it could take now or in the foreseeable future.

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10. *City Council should initiate and the citizens should approve a revised tax-cap provision which limits annual increases in ad-valorem tax revenue based on the combined effects of inflation and growth.*

As the JCCI implementation effort was just getting started, City Council member Harry Reagan took the initiative on this recommendation. He gathered a small working group of key public officials and representatives of interested private organizations, including JCCI. Through this working group, the JCCI Task Force directly influenced the wording of the initiative which, after City Council approval, appeared on the ballot in November 1992. The charter provision, as proposed by City Council and approved by the voters, excludes property values resulting from new construction during each year from calculation of the 3 percent ad-valorem tax cap. No inflation factor was included. Working-group members felt that changes in the inflation rate might produce unpredictable shifts in the tax cap, which would make long-range budget planning difficult. In addition, they felt that including an inflation factor might cloud the clarity of the more important growth issue for some voters. The JCCI Task Force acquiesced in this judgment.

The JCCI Task Force became actively involved in advocacy for the ballot proposition. Task Force members were encouraged to advocate as individuals. The Task Force also convened a group of organizational leaders to discuss possibilities for a grassroots campaign. Those attending included representatives of the Chamber, the Contractors Association, the Homebuilders Association, and the Firefighters Union. While no overall campaign was developed, most of these organizations actively supported the proposition.



**Bottom line:** This recommendation has been implemented. Exclusion of an inflation factor may not be critical for the recommendation's success. Only if inflation rates increase substantially, while real property values remain more stable, could leaving inflation out of the tax-cap exclusion be seen, in hindsight, to be a mistake.



11. *If new revenue sources become necessary to maintain financial health, City Council should consider the following possibilities:*
- wider application of user fees; and*
  - use of impact fees to help pay for the public capital-improvement costs of new development.*

As JCCI's implementation effort began, the City had recently passed an ordinance which revised and upgraded many of the user fees the City was charging. The ordinance incorporated results of a major consultant study on the City's fee structure. More generally, City officials appeared to agree with the premise that increasing fees was preferable to increasing taxes if additional revenue were needed. However, the use of impact fees remained a controversial issue. The temporary Fiscal Policy Commission was specifically charged with considering the use of impact fees. It did so but made no strong recommendation in favor of or against their use because of divergent opinions within the Commission. With no formal proposals on the table at this time for the local use of impact fees, the issue remains a matter of discussion and argument, with strong proponents as well as opponents.

**Bottom line:** This recommendation has been implemented more in theory than in reality. Most City officials agree with it in principle, including the use of impact fees. However, the Austin and Delaney administrations and the City Council have followed a policy (with a few notable exceptions) of avoiding the use of new or expanded revenue sources whenever possible.



12. *When City and Jacksonville Electric Authority officials periodically renegotiate the JEA's annual contribution to the General Fund, they should take care that the size of the contribution does not jeopardize the JEA's financial health.*

The JEA's contribution to the General Fund was renegotiated in 1993. Although a number of issues arose, none placed the JEA's financial health in jeopardy. In 1994, the JEA announced that it had excess funds. Initially, the JEA Board voted to return the excess to customers. However, Mayor Austin requested that the funding be given to the City for needed capital-improvement projects. After much controversy and debate, the Mayor withdrew this request as City Council was on the verge of rejecting it. The JCCI Task Force was concerned about the financial-management precedent which would be set by the City's requesting funding beyond the JEA's negotiated contribution. A letter to the editor was sent to the *Times-Union*, but it was not printed since the issue resolved itself in the meantime.

**Bottom line:** This recommendation seems to have been implemented.

**RECOMMENDATION:** The Task Force recommends that the JCCI Board accept this Final Implementation Report and close out the official JCCI implementation of the Financial Health Study. This should be done with the understanding that key members of the Task Force will follow up with final implementation steps with the TRUE Commission and its staff.