

Council Auditor's Office
Analysis of Jax Beach Interlocal Agreement for Fire Services (2019-474)

Jax Beach's cost analysis for Fire Services projects that they will save \$15,796,870 during the first 10 years of this 20 year agreement, while COJ estimates it will spend an additional \$1,348,000 per year.

Concerns:

1. From a financial perspective, this proposal is inequitable as it causes the rest of the county to subsidize fire service at Jax Beach. To make this financially equitable, Jax Beach should make COJ whole either with annual cash payments or by paying a higher GSD millage.
2. COJ is taking on responsibility for an additional defined benefit pension plan that may or may not result in increased liabilities for COJ.

Recommended Amendments:

1. Both concerns above are policy decisions for City Council to discuss.
2. Attach Revised on File document to incorporate the change in the pension language approved by Jacksonville Beach (shown below).
3. Include language requiring an operational and financial review of the agreement be provided to City Council no less than every three years.

Amended language regarding UAAL of Jacksonville Beach Firefighters' Retirement Plan

Article 7. Retirement

(e) The City of Jacksonville Beach shall be responsible for the unfunded actuarial accrued liability of the Jacksonville Beach Firefighters' Retirement Plan, as determined by the plan actuary based on a 7.0% rate of return assumption, as of the day preceding the effective date of this Agreement, and shall pay off the unfunded liability in accordance with Florida law. The City of Jacksonville Beach agrees to use its best efforts to ensure that the Jacksonville Beach Firefighters' Retirement Plan board of trustees and plan actuary use a rate of return assumption in the future that is equal to the rate of return assumption used in the most recent actuarial valuation for the City of Jacksonville Police and Fire Pension Fund (COJ PFPF). Should the parties elect to terminate this agreement, subject to the termination provisions contained herein, the City of Jacksonville's unfunded liability that accrued during the contract term shall be calculated in the same manner as described above, using the assumed rate of return then in use by the COJ PFPF, as of the day preceding the effective date of the termination of the agreement, and the City of Jacksonville shall pay off that portion of the unfunded liability in accordance with Florida law.

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Background:

The 1982 interlocal agreement, as amended, between the City of Jacksonville (COJ) and the City of Jacksonville Beach (Jax Beach) identifies those governmental services determined to be "normal county-public functions" that are to be paid for by COJ from the levy of county taxes throughout the General Services District (GSD). Fire Service is not identified as a normal county-public function. Therefore, it is not the responsibility of COJ to provide fire service at Jax Beach. Pursuant to the interlocal agreement, COJ levies a millage rate on Jax Beach properties that is 3.2907 mills less than non-Beaches and non-Baldwin properties to account for services not provided by COJ. Specifically, COJ levies 11.4419 mills on the GSD excluding the Beaches and Baldwin, while it only levies 8.1512 mills on Jax Beach.

The City of Jacksonville Beach passed an amended agreement August 19, 2019 to add clarifying language regarding the Unfunded Actuarial Accrued Liability (UAAL) of the Jax Beach Firefighters' Retirement Plan. The original agreement was silent as to who would be responsible for any future UAAL.

AS AMENDED:

Payment for Services	<ul style="list-style-type: none"> • Jax Beach will pay COJ \$2,220,000 for first year of Agreement • COJ estimates costs of \$3,568,000 for first year of Agreement – a difference of \$1,348,000
Annual Increase in Payment	Greater of CPI or 2.5% each year
Term of Agreement	20 years
Available Extensions	None
Termination Notice	2 years notice
Employees of Jax Beach Fire	28 Jax Beach Fire employees will be able to become COJ JFRD employees
Jax Beach Fire Employees' Pension	<p>Employees are given the option of:</p> <ol style="list-style-type: none"> 1. Remaining on Jax Beach Firefighters' Retirement Plan – or – 2. Joining the COJ defined contribution retirement plan
Jax Beach Firefighters' Retirement Plans	<ul style="list-style-type: none"> • Jax Beach will assume the UAAL as calculated on the day preceding the date of the Agreement • COJ will be responsible for paying required contributions for employees remaining on Jax Beach Firefighters' Retirement Plan • COJ will be responsible for any increase in the UAAL as of the effective date of the Agreement
Fire Stations	Provided by Jax Beach for COJ use
Fire Station Improvements	Any improvements to fire stations require Jax Beach approval and are paid for by COJ
Fire Station Maintenance	COJ is responsible for all utilities and maintenance except landscaping and grounds maintenance
Fire Equipment & Apparatus	Jax Beach to convey equipment and apparatus to COJ
Fire Station Property	Jax Beach property at fire stations (refrigerator, stove, etc.) can be used by COJ, but will remain property of Jax Beach
New Fire Equipment & Apparatus	COJ will bear the cost of any new equipment or apparatus
Other items of Note	<ul style="list-style-type: none"> • COJ shall assist Jax Beach during non-fire emergencies and natural disasters at no cost • COJ shall provide JFRD assistance with Jax Beach special events at no cost

2019-596 Project Sharp

Summary:

This bill will authorize the execution of an Economic Development Agreement for the expansion of operations of a Jacksonville based Company to serve as its corporate headquarters. The project proposes to retain 1,216 existing jobs, create up to 500 new jobs at an average wage of \$85,000 by 2029, and invest \$145 million in the construction of a new 300,000 square foot office building and associated parking structure in the Downtown Northbank CRA. According to DIA's calculation, the project will generate a Return on Investment of 1.20.

The Company is seeking a Qualified Target Industry (QTI) incentive for the 500 jobs to be created. The QTI incentive is proposed at \$6,000 per job due to the jobs being in a High Impact Sector and the average wage being in excess of 150% of the average private sector wage for Duval County. The City's portion of the QTI incentive is 20%, or \$1,200 per job for a total \$600,000, and the State is responsible for the remaining 80%, or \$4,800 per job and total \$2,400,000. The jobs are to be phased in over a 10-year period at 50 jobs per year. The QTI payments are planned to be made from the City's General Fund.

The City will make a Recaptured Enhanced Value grant (REV Grant) to the Company in a total not to exceed amount of \$23,400,000 payable over a 20-year period. The REV Grant shall be equal to 75% of the county ad valorem taxes paid by the Company for the preceding year. If the Company fails to invest at least \$145 million by December 31, 2023, the REV Grant will be proportionally reduced. If they fail to invest \$130 million by December 31, 2023, the REV Grant is terminated and any funds paid out under the REV Grant are due back to the City. The REV Grant payments are planned to be made from the Northbank Combined CRA.

Upon substantial completion of the construction improvements with a minimum value of \$130 million and compliance with the terms and conditions of the Agreement, the City will make a \$3.5 million Closing Grant to the Company. The Closing Grant payment is planned to be made from the City's General Fund.

The total estimated City investment in this project will be \$27,500,000. This consists of the QTI, REV Grant, and Closing Grant.

Discussion:

With previous development deals and this current development, there will be future impacts paid out over several years from the General Fund/GSD that are currently unfunded. Per DIA, the developments will be paid out as seen in the chart below.

Project	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24
2017-403-E Laura St. Trio			4,000,000		
2018-690-E Jones Bros. Bldg.		1,500,000			
2018-872-E Ambassador Hotel	1,500,000				
MWGL Masonic Lodge (DIA Resolution 2018-03-04)	50,000				
2019-596 Project Sharp					3,500,000
Total Annual Impact	\$1,550,000	\$1,500,000	\$4,000,000	\$0	\$3,500,000