

**Kids Hope Alliance  
Comprehensive Budget - Schedule M  
Fiscal Year 2019 - 2020**

| ESTIMATED REVENUE FROM GRANTS   | Grant Period         | Positions & PT Hours         | Federal            | State              | Private Sources | Total External Funds | COJ Funds* (Local Match) | Total Funds        |
|---|----------------------|------------------------------|--------------------|--------------------|-----------------|----------------------|--------------------------|--------------------|
| State of FL. Dept. of Health - USDA Child and Adult Care Food Program - After School Food Program   | 10/01/19<br>09/30/20 | 5 FT Staff/<br>1,040 PT Hrs  | \$3,100,000        | \$0                | \$0             | \$3,100,000          | \$10,000                 | \$3,110,000        |
| State of FL Dept. of Agriculture & Consumer Services - USDA Summer Food Service Program (Sum. 2020) | 04/01/20<br>08/31/20 | 22,000 PT Hrs                | \$1,100,000        | \$0                | \$0             | \$1,100,000          | \$0                      | \$1,100,000        |
| Healthy Families - The Ounce of Prevention FL   | 07/01/20<br>06/30/21 | 4 FT Staff/<br>1,140 PT Hrs  | \$410,200          | \$684,300          | \$0             | \$1,094,500          | \$1,040,500              | \$2,135,000        |
| FL Department of Education - 21st Century Community Learning Center Grant                           | 08/01/20<br>07/31/21 | 2 FT Staff<br>35,000 PT Hrs. | \$0                | \$700,000          | \$0             | \$700,000            | \$155,171                | \$855,171          |
| Criminal Justice Reinvestment Grant   | 11/01/19<br>10/31/20 | 1 FT Staff                   | \$0                | \$400,000          | \$0             | \$400,000            | \$60,000                 | \$460,000          |
| <b>NEW:</b> Department of Health & Human Services - SAMHSA  | 09/29/19<br>09/28/20 | 2 FT Staff                   | \$1,000,000        | \$0                | \$0             | \$1,000,000          | \$0                      | \$1,000,000        |
| <b>NEW:</b> FL Department of Education - Kids Hope Alliance High School 21st Century Grant          | 10/01/19<br>09/30/20 | 2 FT Staff<br>35,000 PT Hrs. | \$0                | \$700,000          | \$0             | \$700,000            | \$64,000                 | \$764,000          |
| <b>TOTAL ESTIMATED GRANT REVENUE</b>  |                      |                              | <b>\$5,610,200</b> | <b>\$2,484,300</b> | <b>\$0</b>      | <b>\$8,094,500</b>   | <b>\$1,329,671</b>       | <b>\$9,424,171</b> |

|   | <u>Total Funding</u> | <u>Program Funds (08201)</u> |
|---|----------------------|------------------------------|
| <b>Essential Service Plans:</b>                               |                      |                              |
| Early Learning Programs                                       | \$3,503,999          | \$2,806,694                  |
| Juvenile Justice Prevention/Intervention Programs             | \$1,496,007          | \$1,261,625                  |
| Out of School Time Programs                                   | \$12,829,639         | \$12,252,620                 |
| Out of School Time Programs - Summer Camp Programs            | \$3,954,000          | \$3,954,000                  |
| Preteen and Teen Programs                                     | \$2,278,203          | \$1,783,370                  |
| Special Needs Programs  | \$6,222,347          | \$5,965,095                  |
| Special Needs Programs - Grief Counseling & Burial Costs      | \$42,732             | \$21,366                     |
| Preteen and Teen Programs - Mayor's Youth at Work Partnership | \$484,788            |                              |
| <b>Across All Essential Service Plans:</b>                    |                      |                              |
| Youth Travel Trust Fund                                       | \$50,000             |                              |
| Stop the Violence Program                                     | \$200,000            |                              |
|   | <u>\$31,061,715</u>  | <u>\$28,044,770</u> **       |
| KHA - Administrative Funds                                    | \$4,049,671          |                              |
| <b>Total City Funding:</b>                                    | <u>\$35,111,386</u>  |                              |
| <b>Grant Funding from Above:</b>                              | <u>\$8,094,500</u>   |                              |
| <b>Total Funding Including Grants:</b>                        | <u>\$43,205,886</u>  |                              |

\* These funds are included in the Essential Service Plan breakdown below the chart.

\*\* Ties to the Total Essential Service Program Funding on Page 2.

**Program Funding by the Five Essential Service Categories**

|   | Period              | Total Amount         |
|---|---------------------|----------------------|
| <b>Early Learning Programs:</b>   |                     |                      |
| Early Learning Coalition of Duval - Childcare Enhancement                       | 10/01/19 - 09/30/20 | 829,500              |
| Early Learning Coalition of Duval - Childcare Local Match                       | 10/01/19 - 09/30/20 | 625,000              |
| Early Learning Coalition of Duval - Program Quality and Workforce Development   | 10/01/19 - 09/30/20 | 1,352,194            |
| <b>Total Early Learning Programs</b>  |                     | <b>\$ 2,806,694</b>  |
| <b>Juvenile Justice Prevention &amp; Intervention Programs:</b>                 |                     |                      |
| Juvenile Justice Prevention & Intervention Programs - RFP                       | 10/01/19 - 09/30/20 | 507,016              |
| Evening Reporting Center - RFP  | 10/01/19 - 09/30/20 | 180,000              |
| Diversions Programs - RFP   | 10/01/19 - 09/30/20 | 514,609              |
| Grant Match: Dept. of Children & Families - Criminal Justice Reinvestment Grant | 10/01/19 - 09/30/20 | 60,000               |
| <b>Total Juvenile Prevention &amp; Intervention Programs</b>                    |                     | <b>\$ 1,261,625</b>  |
| <b>Out-of-School Time Programs:</b>   |                     |                      |
| Afterschool Program - Existing JCC RFP (Contracts effective 10/1/19-6/30/20)    | 10/01/19 - 09/30/20 | 8,487,461            |
| Communities in Schools of Jacksonville - DuPont Middle School                   | 10/01/19 - 09/30/20 | 96,000               |
| YMCA of Florida - Southside Middle School                                       | 10/01/19 - 09/30/20 | 80,000               |
| YMCA of Florida - Windy Hill, Ramona Boulevard, Jacksonville Heights            | 10/01/19 - 09/30/20 | 312,126              |
| Afterschool Programs RFP - (Contracts Effective 7/1/20 - 9/30/20)               | 10/01/19 - 09/30/20 | 3,047,862            |
| Summer Learning Programs RFP - (Summer 2020 - JCOD191SUM))                      | 10/01/19 - 09/30/20 | 3,954,000            |
| Grant Match: 21st Century Community Learning Center Grant                       | 10/01/19 - 09/30/20 | 155,171              |
| Grant Match: Kids Hope Alliance High School 21st Century Grant                  | 10/01/19 - 09/30/20 | 64,000               |
| Grant Match: After School Food Program Grant                                    | 10/01/19 - 09/30/20 | 10,000               |
| <b>Total Out-of-School Time Programs</b>  |                     | <b>\$ 16,206,620</b> |
| <b>Preteens and Teen Programs:</b>  |                     |                      |
| Preteens and Teen Programs - RFP  | 10/01/19 - 09/30/20 | 1,541,370            |
| Young Men's Success - RFP   | 10/01/19 - 09/30/20 | 100,000              |
| College Success & Access Academy - RFP  | 10/01/19 - 09/30/20 | 100,000              |
| MYLAC Programming - RFP   | 10/01/19 - 09/30/20 | 42,000               |
| <b>Total Preteen and Teen Programs</b>  |                     | <b>\$ 1,783,370</b>  |
| <b>Special Needs Programs:</b>  |                     |                      |
| <b>Full Service Schools:</b>  |                     |                      |
| Jewish Family Services  | 10/01/19 - 09/30/20 | 442,856              |
| Children's Home Society   | 10/01/19 - 09/30/20 | 913,715              |
| Child Guidance Center   | 10/01/19 - 09/30/20 | 657,143              |
| Daniel  | 10/01/19 - 09/30/20 | 1,389,286            |
| Special Needs Programs - RFP  | 10/01/19 - 09/30/20 | 1,471,595            |
| Trauma Informed Training - RFP  | 10/01/19 - 09/30/20 | 50,000               |
| Grief Counseling - RFP (JCOD191GB)  | 10/01/19 - 09/30/20 | 21,366               |
| Grant Match: Healthy Families Jacksonville (Grant effective 7/1/19)             | 10/01/19 - 09/30/20 | 1,040,500            |
| <b>Total Special Needs Programs</b>   |                     | <b>\$ 5,986,461</b>  |
| <b>Total Essential Service Program Funding</b>                                  |                     | <b>\$ 28,044,770</b> |

**Council Auditor's Office  
Analysis of 2019-566  
JEA Retirement Benefits**

**Overall**

The changes described in the proposed legislation are contingent upon a Recapitalization Event, which is defined in the legislation in the new Section 120.201 (hh).

*Recapitalization Event shall mean the closing and funding of a transaction or a series of related transactions in accordance with Article 21 of the Charter of the City of Jacksonville and any other applicable law that results in either (i) unencumbered cash proceeds to the City of Jacksonville of at least Three Billion Dollars (\$3,000,000,000) or (ii) at least 50% of the net depreciated property, plant and equipment value of either JEA's electric system or JEA's water and wastewater system being transferred, assigned, sold or otherwise disposed of. The effective date of a Recapitalization Event shall be the date of closing of a transaction that results in either of the above two contingencies occurring, or in the case of a series of related transactions, the date of a closing of a transaction that, when combined with other prior transactions in the series, results in either of the above two contingencies.*

**What Ordinance 2019-566 Does**

1) The ordinance changes retirement benefits for JEA employees as follows:

a) **Defined Benefit Plan Employees**

i) Employees will be given credited service to reach their earliest normal retirement option. Normal retirement is defined as:

- (1) 5 years of service at age 65,
- (2) 20 years of service at age 55, or
- (3) 30 years of service at any age.

The years of service are then multiplied by 2.5% to arrive at a benefit percentage. The benefit percentage is multiplied by the employees' final monthly compensation (average salary during the highest 36 consecutive month period out of the last ten years of employment).

ii) Employees with less than five years of service can choose one of two options:

- (1) They will be credited as though they completed five years of service and would receive a pension benefit based on five years of service. In this example, the pension would be 12.5% because they would receive 2.5% per year times 5 years. They would start receiving that pension at age 65.
- (2) They could choose to take a lump sum payment or rollover of twice their contributions to the plan, without interest.

iii) Employees with more than five years of service that have not reached normal retirement will be credited with the number of years of service that such member would have at their earliest normal retirement date and will receive that benefit commencing on the date they would have reached their earliest normal retirement date. For example:

- (1) a 32-year old employee with 10 years of service would be credited with 20 additional years of service and would receive a pension based on 30 years of service beginning at age 52. In this example, the pension would be 75% because they would receive 2.5% per year times 30 years.
- (2) a 53-year old employee with 17 years of service would be credited with 3 additional years of service and would receive a pension based on 20 years of

**Council Auditor's Office**  
**Analysis of 2019-566**  
**JEA Retirement Benefits**

service beginning at age 56. In this example, the pension would be 50% because they would receive 2.5% per year times 20 years.

- iv) Employees that have reached normal retirement will receive the benefit they had earned up to the date of a Recapitalization Event. These employees will receive no additional pension benefit pursuant to the proposed legislation.
- b) Defined Contribution Plan Employees
  - i) Employees hired prior to 10/1/17 who are actively employed on the date of a Recapitalization Event will be permitted to transfer to the Defined Benefit Plan and receive credited service for their actual time of JEA employment as well as credited service granted as described above, or
  - ii) Employees hired after 10/1/17 (or those hired prior to 10/1/17 who do not elect to transfer to the defined benefit plan) will be deemed to have fully vested, which means they will be eligible for all portions of the employer contributions and related investment pool earnings. (Currently, employees must work for five years before receiving all of the employer contributions and related investment pool earnings.)
- 2) The ordinance provides that JEA shall make an additional contribution to the Pension Plan within 14 days of the Recapitalization Event in an amount necessary to maintain the Plan's level of Unfunded Actuarial Accrued Liability (UAAL). (The current impact of the proposed changes in this ordinance is \$132,276,645 as calculated by the Pension Plan's actuary; however, this will be updated using an agreed-upon date closer to the Recapitalization Event.)
- 3) The ordinance adds a surviving spouse benefit where, upon the death of a separated vested member who has not yet begun to receive pension payments, the eligible surviving spouse will receive a benefit of 75% of the deferred benefit at a 2% accrual rate beginning immediately upon such death. (Currently, if pension benefits have not commenced for a separated vested employee, the surviving spouse only receives a return of the employee contributions without interest, but if pension benefits have commenced, the surviving spouse receives 75% of the pension benefits presently being received by the then deceased pensioner.)
- 4) After the payment by JEA of the contribution required by the ordinance, the Plan's Unfunded Actuarial Accrued Liability will be an obligation of the City of Jacksonville. (Per the City's actuary, JEA's share of the UAAL was \$565 million as of 10-1-18. This was prior to a reduction for the portion of Pension Sales Surtax allocated to JEA. Per the City's 10-1-18 actuarial report, the total value of the sales tax attributable to the General Employees' Pension Plan was \$472 million of which \$227 million would be allocated to JEA based on the portion of the General Employees' Pension Plan UAAL attributable to JEA, leaving a net difference of \$338 million.)

**What Ordinance 2019-566 Does Not Do**

- 1) The ordinance does not authorize the sale of JEA. (Any potential sale of JEA would be the subject of future legislation and voter approval.)
- 2) The ordinance does not approve collective bargaining terms for JEA unions. (All collective bargaining agreements will be the subject of future legislation. Any benefit changes contained in this legislation apply only to appointed employees and unions that approve/agree with the changes.)

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**Analysis of 2019-566**  
**JEA Retirement Benefits**

- 3) The ordinance does not require the payment to the Pension Plan of JEA's portion of the UAAL.
- 4) The ordinance does not specify how any sales proceeds received by the City would be utilized.

**Recommendations – Agreed to by the Administration and JEA**

- 1) Add clarifying language in Section 120.203(j) to state "Following a Recapitalization Event, and the payment by JEA of the contribution required by this section, the Plan's Unfunded Actuarial Accrued Liability attributable to JEA shall be an obligation of the City of Jacksonville."
- 2) Include language in Section 120.203(j) in reference to the additional contribution calculated for funding purposes that states, "and shall be based on an actuarial valuation agreed upon by JEA and the City Finance Department as near as practical to the date of execution of definitive documents."
- 3) Include language in Section 3 of bill that states "This legislation shall sunset, and shall have no force and effect, if a Recapitalization Event does not occur within three (3) years from the Effective Date of this ordinance."
- 4) Clarify language in Section 120.201(i) to specify "employees of JEA actively employed" consistent with verbiage in other sections.

**Concern**

After a Recapitalization Event, the City would be solely responsible for any and all pension contributions related to former JEA employees and JEA pensioners. The pension plan will be paying benefits for many decades into the future. Even if the pension is fully funded at a point in time, a downturn in the stock market can reduce that funding status and increase the City's required contribution.

**Recommendation – To Address Concern**

Either in this legislation or future legislation, proceeds from a Recapitalization Event should be earmarked to address JEA's portion of the UAAL (net of its portion of the sales tax). In calculating JEA's portion of the UAAL, consideration should also be given to using a lower assumed rate of return since JEA may no longer exist and be unable to make additional contributions if/when actuarial assumptions are not met.

**Things we are waiting on**

- 1) Actuarial impact statement run at a 6% discount rate to compare to impact statement based on current discount rate of 7%.
- 2) Actuarial impact statement should 25% of JEA's employees (or the amount the actuary deems reasonable) convert from the defined benefit plan to the defined contribution plan on the day of the Recapitalization Event.
- 3) Pension Board of Trustees comments on legislation. (A Pension Board of Trustees meeting is scheduled for September 16, 2019.)



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# City of Jacksonville, Florida

## Finance & Administration Department

City Hall at St. James  
117 W. Duval St.  
Jacksonville, FL 32202  
(904) 630-CITY  
www.coj.net

### MEMORANDUM

**TO:** City Council Members, City of Jacksonville

**THRU:** Randall Barnes, Treasurer

**FROM:** City of Jacksonville Retirement System Board of Trustees  
General Employees' Pension Advisory Committee

**SUBJECT:** Comments to Proposed Ord. 2019-566

**DATE:** September 16, 2019

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Section 120.102(v) of the City of Jacksonville Code of Ordinances provides the City of Jacksonville Retirement System Board of Trustees and the appropriate Pension Advisory Committee the opportunity to make comment to the City Council on any legislation that may affect the Plan. The City Council shall consider those comments but shall not be bound by them.

#### **Board of Trustees Comments – September 16, 2019**

1. The Board of Trustees advises City Council that Comment No. 3 from the Pension Advisory Committee is not within the purview of the PAC or the Board. Additionally, upon any potential future JEA recapitalization event, the Board requests to provide City Council input regarding the distribution of the proceeds in so far as the impact may affect the enhanced benefits and the unfunded actuarial accrued liability of the General Employees' Pension Plan.

#### **Pension Advisory Committee Comments – September 11, 2019**

1. Consider modifying the current proposed legislation (2019-566) to reflect that a portion of the recapitalization proceeds to the City should be used to pay off the BJP debt and thereby accelerate the payment of the surtax proceeds to the Pension Plans in accordance with the projection prepared by Segal.
2. Consider having the City use a portion of the proceeds from a recapitalization event to pay down the JEA portion of the unfunded liability.
3. Recommend the current proposed legislation (2019-566) should be modified to address perceived inequities expressed by some appointed and non-appointed retirement-eligible workers. Solutions suggested by some in this population include eliminating the COLA wait period or pension buy-up of service for up to three years for the retirement-eligible population.