



JACKSONVILLE CITY COUNCIL

**TRUE COMMISSION
CIP COMMITTEE MEETING MINUTES
July 24, 2013
4:00p.m.**

**City Council Conference Room B
Suite 425, City Hall
117 W. Duval Street**

Attendance: Committee Members Patti Anania (Chair), Marcella Lowe, Danny Becton, Joe Andrews, Keith Johnson, Tom Martin

Also: Janice Billy – Assistant Council Auditor; Jeff Clements – City Council Research Division

The meeting was called to order at 4:05 p.m. by Chairwoman Anania. The minutes of the committee meetings of June 13 and 26, 2013 were approved as distributed.

The committee posed a list of questions to Janice Billy regarding various aspects of the Capital Improvement Program (CIP) to which she responded as follows:

- 1) When funds are left over at the completion of a CIP project and it's time to close out the account, can any remaining funds be used elsewhere? Yes, via re-appropriation by the City Council. The process used to be strictly internal to the City, but in the case of projects funded via bond issues, the Office of General Counsel has recently advised that the reallocation of bond funds should also be approved by bond counsel on behalf of the bondholders. If the funds came from a bond designated for specific projects/uses (i.e. a drainage bond or a parks and recreation bond) then reallocation of excess funds is restricted to those listed projects for which the bonds were issued. Otherwise (i.e. Banking Fund borrowing) the funds may be used for any capital use.
- 2) Must Autumn Bond proceeds be used only for those listed projects? Yes, the Autumn Bond issue contained a specific list of projects, so the funds must be used for that project list or should be used to pay down the bonds themselves. Councilmember-controlled district-specific funds must be used within that council district, but funding that was project-specific and not district-specific may be reallocated elsewhere as needed. Councilmembers often lobby to keep general purpose funds within their district if the original project to which funding was allocated is cancelled or scaled back.
- 3) How are projects deemed to be "closed out", and is there a signed document or other procedure that certifies the closeout? Projects are closed out by a decision of the Public Works Director when he/she determines that the project is complete and no further expenditures are to be made. There is not a definitive project closeout document that is executed or an instruction to the Accounting Division not to process any more payments out of the project account. Several committee members felt that would be an important process improvement that would help lend clarity and transparency to the CIP project tracking process.

- 4) Why do some of the departmental project lists provided to the committee thus far show projects as closed out when other lists show them as still active and under construction? The various departments involved in creating the lists (Budget Division, Accounting, and user departments such as Public Works and Parks and Recreation) each keep their own project lists for their own purposes and the figures frequently aren't cross-checked against each other. That is part of the reason why the Finance Committee during last year's budget process saw a need for the reconciliation that is currently ongoing. The committee felt that there should be more of a process than simply a signature by the Public Works Director to declare a project completed and thereby authorize any remaining funding to be swept for another purpose. The FY12-13 budget ordinance added a requirement that the Mayor must submit a list of closed-out CIP projects with the budget each year for City Council to consider. The upcoming budget process will be the first time that the list has been presented.
- 5) How long should it take once a project is completed for it to be officially closed out and taken off the books? It shouldn't take too long for the closeout to occur once a definitive decision has been made, but the process of double checking the various lists and verifying the project expenditures from department to department does take some time.
- 6) Who is responsible for notifying the Mayor and Council of the availability of funding for CIP projects each year prior to the beginning of the budget process? The Mayor is required by the Ordinance Code to submit a proposed CIP plan along with the proposed budget in July. The Mayor's staff and Budget Office draw up the proposed project list based on the capital needs expressed by the various departments in their budget submittals and on the amount of funding available for capital expenditures each year, given the other operating needs of the City.

Commissioner Andrews expressed his opposition to the portion of the Ordinance Code's definition of "capital improvement" that defines anything procured with borrowed funds as a capital improvement, regardless of its value or expected lifespan. The three factors are each individually sufficient for the designation and are not required to be in combination. He believes that it opens the door to the possibility of ignoring or deferring needed routine maintenance, which should be an operating expense, until a capital asset is in need of more expensive repair that then qualifies as a capital expense by virtue of its cost and the need to borrow to cover that large an expense.

The committee questioned Ms. Billy about how many City employees are trained to track and verify the costs and completion of CIP projects. She explained that she is training two other auditors in the Council Auditor's office to take on the task and the administration should have several personnel between the Budget Office and the various departments who handle CIP work. In response to another question about the process for reconciling differences in the project figures among the several different CIP listings that are kept, Ms. Billy stated that the Auditor's Office is only a reviewer and verifier of the administration's figures, although they are glad to help the departments work through problems to arrive at correct figures. The ultimate authority is FAMIS, the city's accounting and financial management system.

The committee was of the general opinion that CIP dollars seem to be expended for the proper purposes, but that tracking and reporting processes need to be improved. Committee members were asked to send their suggestions for process improvements (i.e. a formal project closeout document, better reporting requirements, etc.) to Jeff Clements for distribution to the group in preparation for another meeting next week at which the committee will draft a set of recommendations for transmittal to the full commission at its meeting on August 1st.

The commission's next meetings will be on Wednesday, July 31st at 4:00 p.m. and on August 1st at 2:00 p.m. prior to the full commission meeting at 4:00.

There being no further business, the meeting was adjourned at 5:05 p.m.

Jeff Clements, Chief
Council Research Division
630-1405

Posted 7.26.13
12:00 p.m.