



Taxation, Revenue, and Utilization of Expenditures (TRUE) Commission

Marc El Hassan, Chair

Greg Radlinski, Vice Chair

Joe Andrews, Secretary

TRUE Commission Meeting Minutes

May 3, 2012
4:00 p.m.

Attendance: Marc El Hassan (Chair), Marcella Lowe, Ernest McDuffie, Daniel Blanchard, Ted Wendler, Thomas Martin, Diane Brown, Patti Anania, Joe Andrews, Gamal Lyons

Excused: Greg Radlinski, David Lane

Absent: Hiron Peck, Jason Fischer, Ryan Jones

Also: Tommy Carter – Council Auditor’s Office; Jeff Clements – City Council Research; Jarik Conrad – Director of Employee Services; Don Titcomb and Jeff Angello – Gallagher Benefits Services; Tony Bates – Concerned Taxpayers of Duval County; Rosa Carter

Chairman Marc El Hassan convened the meeting at 4:08 p.m. with a quorum present.

Minutes

The minutes of the April 5, 2012 commission meetings were approved as distributed.

Invited Speaker

Jarik Conrad, the City’s Director of Employee Services, stated that the TRUE Commission’s interest in employee self-insurance, pooling membership with other agencies, and hiring an insurance consultant to examine potential cost savings is very timely, as the City is in the process of doing an RFP for a health insurance provider for the coming year. A self-insurance option will be considered. The City already has an insurance consultant on-board to advise on these issues, and Mr. Conrad introduced Don Titcomb and Jeff Angello of Gallagher Benefits Services.

Don Titcomb said that his company has clients utilizing all sorts of insurance coverage, from fully insured to fully self-insured. Gallagher does not have a preference for any method, but provides objective information from which good decisions can be made based on each client’s needs and preferences. Jacksonville has looked at the self-insurance issue numerous times over past years, and Gallagher made presentations to the TRUE Commission in 2007 and 2008. The current health insurance RFP asks proposers for both fully insured and self-insured options, including information on discount rates, provider networks, etc. Mr. Titcomb distributed charts showing the City’s premiums and claims rates for the last 3 years and projected forward for several years, and analyzing whether the City would have been better off financially under either scenario. The figures show that the City would have spent more to be self-insured than fully insured in 2009 and 2010, but would have saved money by being self-insured in 2011 and 2012 (based on projections for the rest of 2012).

The financial picture changes from year to year based on the annual claims experience, employee use patterns, and changes to the benefit structure (changes in deductibles and co-payments, drug formulary coverage, etc.). Mr. Titcomb said that annual rate increases are almost a given as long as an employer’s

claims rate (the percentage of a dollar paid out in claims for every dollar collected in premiums) is in the 90%+ range, which describes the City's typical experience. It is too soon to know if the good results from 2011 and projected for 2012 will hold into the future. In response to a question from Commissioner Martin about the potential effects of the national health care reform law, there is too much uncertainty about what the law will look like after the Supreme Court issues its decision and after the fall elections to be able to say anything with certainty.

Mr. Titcomb indicated that the City of Jacksonville is one of the largest employers in Northeast Florida and insurance companies want that business, to the point of setting premiums at a break-even rate to keep the contract. The percentage of employer vs. employee contribution to the cost of insurance is a decision made by the Mayor's office in the budget process, not by the Benefits Committee which deals more with the structure of the benefits package. In response to a question about what might affect the City's claims experience in the future, Mr. Titcomb cited numerous causes such as a disease outbreak (i.e. a bad flu season), stress-related illness, the invention of new drugs and new medical technologies (prescription of new drugs and use of new imaging technologies that are more effective but also more expensive than current versions), reduction in Medicare and Medicaid reimbursement rates to doctors, and cost-shifting from non-paying to paying patients in health care facilities. He also noted that there has been considerable consolidation in the health care field of individual physicians into group practices and a reduction in the number of insurers in the marketplace.

In response to a question, Mr. Titcomb said that Jacksonville is a big enough employer that pooling with another entity (JEA, School Board) would likely not make much of a difference in the city's premiums. The effect would depend greatly on the nature of the covered populations and which party has a better or worse claims history. In response to a question about whether now is the time to make the move into self-insurance as the numbers seem to indicate, Mr. Titcomb said that it would depend on how committed the City is to the concept and how stable the City's budget is. A self-insured entity has to be able to amass a sufficient reserve fund to ride out a year or two of unusually high claims. If sufficient reserves aren't built up and a bad claims year occurs then there could be real trouble. In response to a question Mr. Titcomb said that Gallagher Benefits is paid a flat monthly fee by the City and does not earn any commissions for recommending any product or company. In answer to another question about why the City no longer offers employees multiple insurance company options, he said that the insurance industry has consolidated greatly in recent years and a number of HMOs particularly have either merged or gone out of business entirely, leaving very few large insurers left to choose from.

Committee Reports

Legislative Tracking Committee – Commissioner Andrews reported that the commission's previously-approved resolution suggesting changes to pending Ordinance 2012-198 regarding mid-year CIP amendments had been placed before the Council, albeit in a slightly altered form, by way of an amendment offered by Council Member Lumb and is receiving considerable debate.

Motion (Andrews): the TRUE Commission **opposes passage** of pending Ordinance 2012-202 which would appropriate \$9,120 from several miscellaneous City Council accounts to provide funding for parking for City Council members in the City Hall/St. James Building garage – **approved by a vote of 9-0.**

Motion (Andrews): the TRUE Commission urges the City Council to **extensively and carefully review** Ordinance 2012-212 (repealing a City Charter article and Ordinance Code chapter and creating a new Office of Economic Development and Downtown Investment Authority) to ensure that its provisions are in the best interests of the public before passage - **approved by a vote of 9-0.**

Motion (Andrews): the TRUE Commission **opposes passage** of Ordinance 2012-213 (amending the City Charter and Council Rules to change the legislative requirements for filing and approving economic development legislation, and repealing and replacing the City’s economic development incentive policy and Downtown Historic Preservation & Revitalization Trust Fund guidelines - **approved by a vote of 7-2** (El Hassan and Lyons opposed).

Motion (Andrews): the TRUE Commission **opposes passage** of Ordinance 2012-215 (providing for \$2 garage parking for City Council and committee meetings and providing for 4-hour parking meters adjacent to City Hall) - **approved by a vote of 7-2 (El Hassan and McDuffie opposed)**

Motion (Andrews): the TRUE Commission **opposes passage** of Ordinance 2012-235 (amending the Ordinance Code to create a St. Johns River [Mayport] Ferry Commission - **approved by a vote of 9-0.**

Motion (Andrews): the TRUE Commission **supports passage** of Resolution 2012-237 (recognizing the unique qualities of the City’s Equestrian Center and urging the administration to issue an RFP for stand-alone management of the facility) - **approved by a vote of 9-0.**

Commissioner Andrews will follow up with City CFO Ronnie Belton with questions he has about Resolution 2012-149 (authorizing issuance of up to \$8.1 million of industrial development revenue bonds on behalf of Taylor Homes for the Aged).

Performance Committee – Commissioner Wendler noted that the committee had met prior to the full commission meeting to discuss the Jacksonville Children’s Commission and decided to discontinue that project for the time being. The agency appears to be well run and there are too many other issues related to the City budget looming in the near future that will command the committee’s attention. Mr. Wendler reported that the General Employees’ Pension Plan (GEPP) and the Correctional Officers’ Pension Plan (COPP) have both released their 2011 actuarial reports, but the Police and Fire Pension Fund (PFPF) has not. The total unfunded accrued actuarial liability (UAAL) for the three plans is \$2.15 billion using the 2011 reports for the GEPP and COPP and the 2008 report for the PFPF. When the 2011 report is released by the PFPF, he anticipates that the total UAAL will increase substantially given the poor returns in the stock market over the past several years. The funds have not been achieving the 8.4/8.5% assumed rate of return on investments for years and the compounding effects of the shortfalls are making the problem continually worsen.

Commissioner Wendler reported that he had corresponded with the Florida Attorney General’s Office and the Florida Public Employee Relations Commission (PERC) relating to his questions about the legality of the City’s 30 year contract with the Police and Fire Pension Fund board regarding pension benefits which exceeds the state law limitation of 3 years on collective bargaining contracts. The Attorney General’s Office said that it did not provide legal opinions to private citizens, only to governmental officials, and referred the letter to the PERC. PERC responded that its jurisdiction is limited to adjudicating employment disputes between public employers and employees and bargaining units, not intervening in city pension matters. Thus it appears the only way that any action will be taken by anyone at the state level is for the City government (i.e. the Mayor) to file a complaint or officially ask for a definitive ruling. Mr. Wendler will work with staff to craft a resolution for the TRUE Commission to consider at its next meeting asking the Mayor to take the issue of the 30 year contract to PERC for a ruling.

Audit Review Committee

Commissioner Lowe reported that the commission is now caught up with action on all previously released audits, and no new releases have occurred in the past month. In response to a question

from Mrs. Lowe, Tommy Carter of the Council Auditor's Office indicated that the JEDC audit has not been released and he is unsure when that may happen. Mrs. Lowe also asked whether an audit of the SMG venue management contract would be conducted before the expiration of the current contract, and Mr. Carter did not know if such an audit was planned.

Insurance Committee

Commissioner Lyons reported that he and Commissioners Lowe and Andrews had attended the last meeting of the Recreation and Community Development, Public Health and Safety Committee to discuss employee health self-insurance. It appears, given the discussion by the speakers earlier, that the City already has a consultant on-board and is seriously considering the possibility of self-insuring. The comments and findings of the two consultants, the one currently under contract to the City and the one that former TRUE Commissioner Randy Deen arranged to speak to the commission 5 years ago, differ considerably, and that bears further investigation. Chairman El Hassan asked Commissioner Lyons to meet with whichever City Council member sits on the Employee Benefits Committee to see if they are aware of the possible consideration of self-insurance and if they might need the TRUE Commission's assistance or advice. Commissioner Lowe noted that it is a new day in City Hall and the current administration may be more receptive than the last one to the possibility of self-insurance.

Motion (Lyons): that the Commission authorizes the Chairman to send a letter to RCDPHS Committee Chairman Bill Gulliford expressing the TRUE Commission's support for a hard look by the City at employee self-insurance – **approved 9-0.**

Disparity Study Committee

Commissioner McDuffie stated that the City is obliged to follow federal affirmative action standards but has regularly ignored that obligation over the past 20 years. Part 8 of the Procurement Code (Federal Affirmative Action Compliance) has been regularly ignored or waived. Mr. McDuffie proposes that the TRUE Commission take two actions: 1) ask the City Council to appoint a Select Committee on Disparity to take testimony about and make findings on the City's disparity in minority- and women-owned business contracting, and 2) request the Mayor to issue an executive order compelling all parts of the City government, including the independent authorities and School Board, to comply with Part 8 of the Procurement Code. He explained the history of the City's goals for minority and female business participation in contracting through a succession of programs under different mayors, and stated his belief that the minority and women-owned percentages should be higher than they are in the current City plan because there are more minority- and women-owned businesses in the marketplace than there used to be when the goals were originally set.

In response to a question from Commissioner Martin about any investigations or independent findings that the City's fails to comply with affirmative action, Mr. McDuffie said that the National Business League (of which he was a part) filed suit in 2000 charging that the City had waived its affirmative action requirements throughout the 1990s, but the case never came to a resolution. After 2000 the City added Part 8 to the Procurement Code, but has consistently waived its application or ignored it. Commissioner El Hassan asked about the relevance of this issue to the TRUE Commission's authority and charge, to which Mr. McDuffie responded that the failure of the City to enforce Part 8 means that local minority businesses that pay taxes and generate payroll for their workers don't get a fair share of City business, and therefore don't produce tax revenue for the City. In response to a question about whether local minority firms bid on City business, he said that many do not because they know that they don't have a chance to get the work from general contractors if it's not mandated by the City.

Motion (McDuffie): that the TRUE Commission 1) adopt a resolution asking the City Council to appoint a Special Committee on Disparity to take testimony and evidence on procurement disparity; and 2) request Mayor Brown to issue an executive order to compel all City agencies and independent authorities to follow Part 8 of the Procurement Code – **motion dies for lack of a second.**

Chairman El Hassan recommended that Mr. McDuffie take his concerns about the City's failure to follow the requirements of its Ordinance Code to the City Ethics Officer and/or the Office of General Counsel for an opinion on whether or not the City is fulfilling its obligations. Mr. McDuffie indicated that he had spoken with Carla Miller, the City's Ethics Officer, about this subject and had invited her to the April 18th Disparity Study Committee meeting, but she did not attend. He has spoken several times in passing with General Counsel Cindy Laquidara but has never been able to set up a formal meeting with her.

Auditor's Report

Tommy Carter of the Council Auditor's Office reported that the office has several audits in progress, but has not issued any reports since last month's meeting.

Chair's Comments

Chairman El Hassan said that he would be attending the May 14th meeting of the City Council Audit Committee to discuss contract management issues.

Old Business

None

New Business

None

Commissioner Comments

None

Public Comments

Tony Bates commented on his understanding of how the \$2 meeting parking program (2012-215) would work and asked the commission its opinion of the revisions to 2012-198 (mid-year CIP amendments).

Rosa Carter stated that local minority- and women-owned businesses do not get a fair share of the City's procurement dollars and that non-local businesses are taking Jacksonville's City spending back to their home towns. Local businesses don't get a share of the money, so can't hire employees and pay taxes, which hurts the City.

Next meeting

The commission's next meeting will be on Thursday, June 7th at 4:00 p.m.

There being no further business, the meeting was adjourned at 6:51 p.m.

Final approved minutes
Posted 6.13.12
5:00 p.m.

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