

## CITY COUNCIL RESEARCH DIVISION LEGISLATIVE SUMMARY

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**Bill Type and Number:** Ordinance 2017-348

**Introducer/Sponsor(s):** Council Member Becton

**Date of Introduction:** May 9, 2017

**Committee(s) of Reference:** F

**Date of Analysis:** May 11, 2017

**Type of Action:** Ordinance Code amendment

**Bill Summary:** The bill amends Ordinance Code Chapter 106 - Budget and Accounting Code - to add a new budgetary requirement that a percentage of the growth in the General Fund/General Services District budgeted revenue over a base year amount be allocated as an additional pension reduction payment to be made each year based on each pension plan's percentage of the total unfunded actuarial accrued liability according to the most recent actuarial reports for the plans.

**Background Information:** The new subsection would require that an amount equal to 15% of the General Fund/General Services District aggregate increase in budgeted revenues (net of transfers from Fund Balance) over the baseline amount of \$1,088,466,862 in FY16-17 be used to make additional payments to reduce unfunded accumulated actuarial liability on the City's three defined benefit pension plans. The additional amortization amount will be distributed among the three plans based on the proportion each represents of the total accrued unfunded liability of the three plans combined. The additional payments will continue until either the FY29-30 fiscal year or the commencement of the pension liability surtax established in Ordinance Code Chapter 776, whichever is earlier.

During the debate over adoption of the pension liability surtax and the closure of the existing defined benefit pensions to new members, several council members expressed a desire to begin paying down the accumulated unfunded liability earlier than the implementation of the sales surtax. This bill provides a mechanism for allocating a portion of the growth in General Fund revenues over the baseline year of FY16-17 toward that purpose.

**Policy Impact Area:** Unfunded pension liability amortization

**Fiscal Impact:** The bill requires an annual allocation of 15% of the General Fund/General Services District aggregate increase in budgeted revenues (net of transfers from Fund Balance) over the FY16-17 baseline amount to pension amortization.

**Analyst:** Clements