



**CITY OF JACKSONVILLE BEACH**  
**FLORIDA**

**MEMORANDUM TO:**

The Honorable Mayor and  
Members of the City Council  
City of Jacksonville Beach, Florida

Council Members:

The following Agenda of Business has been prepared for consideration and action at the Regular Meeting of the City Council on **Monday, December 16, 2013, at 7:00 P.M. in the Council Chambers, 11 North Third Street, Jacksonville Beach, Florida.**

**Opening Ceremonies: Invocation**  
**Salute to the Flag**

**Roll Call**

1. **APPROVAL OF MINUTES:**

- Regular City Council Meeting held December 2, 2013
- City Council Workshop held December 2, 2013

2. **ANNOUNCEMENTS:**

3. **COURTESY OF THE FLOOR TO VISITORS:**

4. **MAYOR AND CITY COUNCIL:**

- (a) Presentation by Jacksonville Transportation Authority for the Proposed Implementation of a Bus Rapid Transit System Connecting the Downtown Area with Jacksonville Beach

5. **CITY CLERK:**

6. **CITY MANAGER:**

- (a) Monthly Financial Report – Month of November 2013
- (b) Approve the Revised Special Events Policy for the City of Jacksonville Beach

7. **RESOLUTIONS:**

**RESOLUTION NO. 1926-2013**

A RESOLUTION OF THE CITY OF JACKSONVILLE BEACH, FLORIDA,  
ESTABLISHING FEES FOR SPECIAL EVENTS.

8. **ORDINANCES:**

**ORDINANCE NO. 2013-8040 – First Reading**

AN ORDINANCE AMENDING CHAPTER 19.5, “OUTDOOR MUSICAL ENTERTAINMENT OR FESTIVALS”, OF THE CODE OF ORDINANCES OF THE CITY OF JACKSONVILLE BEACH, FLORIDA, BY REPEALING IT IN ITS ENTIRETY, AND REPLACING WITH A NEW CHAPTER 19.5, “SPECIAL EVENTS AND FESTIVALS”, PROVIDING FOR THE REPEAL OF ALL ORDINANCES IN CONFLICT WITH THIS ORDINANCE; PROVIDING FOR SEVERABILITY; PROVIDING FOR CODIFICATION; AND PROVIDING FOR AN EFFECTIVE DATE.

**ADJOURNMENT**

9. **WORKSHOP**

- 1) Discuss recommendation by Pension Boards to increase the allowable investment in equities from 50% to 70%, change the measurement of the percentage invested from a cost basis to a market basis, and allow the investment in real estate.
- 2) Discuss the implementation of the plan to accept over the counter credit card payments for utilities and other governmental services.
- 3) Discuss the North Florida Utilities Group Joint Defense and Common Interest Agreement.

Respectfully submitted,

/s/George D. Forbes

CITY MANAGER

GDF:njp  
12/12/13

*If a person decides to appeal any decision made by the City Council with respect to any matter considered at any meeting, such person may need a record of the proceedings and, for such purpose, such person may need to ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based.*

*The public is encouraged to speak on issues on this Agenda that concern them. Anyone who wishes to speak should submit the request to the City Clerk prior to the beginning of the meeting. These forms are available at the entrance of the City Council Chambers for your convenience.*

*In accordance with the Americans with Disabilities Act and Section 286.26, Florida Statutes, persons with disabilities needing special accommodation to participate in this meeting should contact the City Clerk’s Office at (904) 247-6299, ext. 10, no later than 12:00 PM, Friday, December 13, 2013.*

City of

Jacksonville Beach

City Hall

11 North Third Street

Jacksonville Beach

FL 32250

Phone: 904.247.6263

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[www.jacksonvillebeach.org](http://www.jacksonvillebeach.org)

## MEMORANDUM

**TO:** George D. Forbes, City Manager

**THROUGH:** Karen Nelson, Human Resources Director

**FROM:** Ann Meuse, Payroll/Benefits Administrator

**SUBJECT:** Ordinance numbers 2013-8037, 2013-8038, and 2013-8039 Amending Chapter 2, Article V of Division 6 - Police Officers' Retirement System; Division 7 - Firefighters' Retirement System and Division 5 - General Employees' Retirement System of the Code of Ordinances.

**DATE:** December 10, 2013

### ACTION REQUESTED

Adopt the following ordinances as recommended by the Police Officers', Firefighters' and General Employees' pension boards:

- Ordinance Number 2013-8039, amending Chapter 2, Article V, Division 5, 'General Employees' Retirement System', of the Code of Ordinances of the City of Jacksonville Beach.
- Ordinance Number 2013-8037, amending Chapter 2, Article V, Division 6, 'Police Officers' Retirement System', of the Code of Ordinances of the City of Jacksonville Beach.
- Ordinance Number 2013-8038, amending Chapter 2, Article V, Division 7, 'Firefighters' Retirement System', of the Code of Ordinances of the City of Jacksonville Beach.

The amendments will change the following:

- Allows an increase in the maximum investment in equities from 50% to 70%.
- Changes the measurement of investments in equities from a cost basis to market value.
- Allows for the investment in real estate.



Memorandum to George D. Forbes

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### **BACKGROUND**

The City of Jacksonville Beach has **three retirement plans**, the General Employees' Retirement System, Police Officers' Retirement System and the Firefighters' Retirement System. Each retirement plan has its own board of trustees, consisting of 5 members. The General Employees' board includes 2 members of the City Council, selected by the City Council.

The boards of trustees are the trustees of the assets of their respective retirement systems and have authority to invest the assets of the retirement systems within the limitations and restrictions imposed by the State of Florida and the City's pension ordinances.

The boards of trustees employ the **Bogdahn Group** to act as their **investment advisor** for their respective retirement plans. The Bogdahn Group recommends investment strategies to the pension boards, which are incorporated into an investment policy that is approved by the boards. These strategies include establishment of **target market allocations** for the investment of the pension plan assets, as defined by the plans' investment policy and **investment limits** that are established by the City's pension ordinances.

At a special joint meeting of the pension boards of trustees on October 3, 2013, the Bogdahn group made a recommendation that the boards present the following amendments to the City's pension ordinances to City Council for adoption:

- **Increase the allowable investment in equities from 50% to 70% of the retirement systems assets, and change the measurement of the percentage invested from a cost basis to a market basis.**
- **Change the allowable investments to include real estate up to 10% of the retirement system assets.**

The boards of trustees authorized the pension plans' attorney to prepare draft ordinances to reflect the proposed changes and approved the draft ordinances at their regularly scheduled quarterly meeting November 12, 2013.

Memorandum to George D. Forbes

December 10, 2013

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The City staff has reviewed the recommendations made by the Bogdahn Group and the proposed draft ordinances.

1. We concur with the recommendation to revise the City pension ordinances to measure allocation of the plans' investment portfolio on a market, rather than a cost basis. Using market value provides a measurement basis that is easily verified and keeps the allocation of the investment portfolio in balance within the limitations set by ordinance.
2. We have also reviewed an alternative to increasing the allowable investment in equities from 50% to 70%. Staff does understand the need to achieve actuarial projected returns of 8% and the difficulty of meeting this objective in current market conditions; however, along with return comes added risk. The City Council should also consider a more conservative limit of 60%.
3. The City staff understands the need to diversify the pension investment portfolios in order to increase yield and is aware that other similar pension plans have expanded their allowable investments to include real estate; however, the City Council may wish to consider a more conservative approach to allow investment in real estate limited to 5% of the retirement system assets. We are also concerned that there is currently no formal procedure for how to select the real estate assets.
4. We also recommend that the pension boards' investment advisor appear before the City Council periodically to report on the investment of the retirement system assets and returns achieved by the strategies established in the pension investment policies.

*Attached are a summary of the recommendations made by the Bogdahn Group and draft ordinances approved by the boards of trustees for consideration by the City Council*

Memorandum to George D. Forbes

December 10, 2013

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**Summary of the issues before the Council are as follows:**

Amendments to Pension Ordinances	Existing Pension Ordinances	Board of Trustees Recommended Amendments	Alternate Amendments
Measurement of Maximum Investment in Equities	Cost	Market	Market
Maximum Investment in Equities	50%	70%	60%
Allowable investment in Real Estate	No	Yes	Yes
Maximum Investment in Real Estate	N/A	10%	5%

**RECOMMENDATION**

Consider the changes recommended by the pension boards and the alternate proposal and provide direction to the City Staff.

## MEMORANDUM

FROM: The Bogdahn Group;  
Daniel Johnson and Troy Brown, CFA  
TO: City of Jacksonville Beach (Pension Plan Ordinance Review)  
DATE: December 16, 2013  
RE: Summary of Proposed Pension Ordinance Revisions

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The following is a summary of the proposed ordinance revisions for the City of Jacksonville Beach Retirement System ("the Pension Plan"). These changes encompass two distinct investment concepts as prepared by the legal counsel on behalf of the Pension Plan. We have separated these concepts into a discussion of the "Equity Basis Change" and the introduction of "Real Estate" as a permissible investment in the Pension Plan.

### **Equity Basis Change**

We are recommending a change in the measurement of the Pension Plan's equity exposure from a "cost" to a "market" value basis. This change is consistent with current pension practices as it provides an increased level of transparency and risk control through the elimination of subjective cost basis measurement. For example, if an investment asset is purchased and held (not sold), the cost basis of the asset never changes. As a result, if this asset appreciates in value, its cost measurement as a percentage of the portfolio's overall value will actually decrease, implying less risk due to the appreciation. However, it should be clear that the increase in asset value represents an increase in risk. The use of market value basis for measurement eliminates this risk anomaly as equity exposure will be measured on a transparent, non-subjective basis.

It is also important to note that this measurement change does not, in and of itself, introduce more risk to the Pension Plan. As a result, the numerical change from "50% at cost" to "70% at market" should not be interpreted as an upward shift in risk, but rather as a change in the basis of measurement. In addition, the 70% level should not be interpreted as the Pension Plan's target exposure to equity; it represents the maximum allowable allocation. The Pension Plan's proposed target allocation to total equity exposure is 60%.

In conclusion, the change to a market-value based equity constraint in the ordinance will provide greater transparency and risk control of the Pension Plan than the current cost constraint.

### **Real Estate**

We are recommending the allowance of professionally managed, private real estate ("real estate") as an allowable investment for the Pension Plan. While we have used real estate investments with multiple clients as a diversification tool and a reasonable proxy for bonds for a number of years, given today's low interest rate environment and the resulting prospect for lower bond returns going forward, this diversification is increasingly important.

The Pension Board of Trustees ("the Board") reviewed the landscape of real estate as an income enhancement vehicle and a viable diversification tool for the overall Pension Plan over the long-term and in today's market environment. Given this review, the Board would like to consider a strategic allocation to real estate. In order to have a measurable impact on the Pension Plan, we are proposing a target allocation of 5%. With this target recommendation, the Board would impose a maximum market value allocation to real estate of 10%. The 10% maximum allocation would allow a reasonable level of appreciation relative to the 5% target.

In conclusion, given the diversification opportunity provided by real estate coupled with the prospect of lower fixed income returns going forward, we are recommending the inclusion of real estate as an allowable investment in the Pension Plan with a maximum allocation of 10%. Allowing this diversification into real estate will provide the Pension Plan with an increased probability to prudently achieve its objectives within the guidelines of its investment policy.

#### **Summary**

The Pension Boards and their investment professionals are fiduciaries to the Pension Plan. As such, our main task is to administer the fund for participants and beneficiaries. We believe it is prudent for each Board to request the additional flexibility outlined in the ordinance changes to more efficiently administer the investments of the Pension Plan and to continue achieving its investment goals and objectives. We recommend the Council approve the proposed revisions to the ordinance.

Introduced by: \_\_\_\_\_  
1st Reading: \_\_\_\_\_  
2nd Reading: \_\_\_\_\_

**ORDINANCE NO. 2013- 8037**

**AN ORDINANCE AMENDING CHAPTER 2, ARTICLE V, DIVISION 6, 'POLICE OFFICERS' RETIREMENT SYSTEM' OF THE CODE OF ORDINANCES OF THE CITY OF JACKSONVILLE BEACH; TO PROVIDE FOR A MODIFICATION TO THE PARAMETERS FOR INVESTMENT OF ASSETS OF THE RETIREMENT SYSTEM; PROVIDING A SAVINGS CLAUSE; PROVIDING FOR THE REPEAL OF ALL ORDINANCES IN CONFLICT HEREWITH; PROVIDING FOR CODIFICATION AND PROVIDING AN EFFECTIVE DATE.**

**WHEREAS**, The Board of Trustees of the City of Jacksonville Beach Police Officers' Retirement System, at its meeting on October 3, 2013, received recommendations from its Investment Consultant that the code of ordinances governing the Retirement System be amended to permit for greater exposure to equities as well as investment in alternative investment vehicles such as commingled trusts and real estate; and

**WHEREAS**, based on current and anticipated market conditions, such modifications are reasonably necessary to generate positive returns going forward and achieve actuarial investment assumptions maintaining the viability of the Retirement System; and

**WHEREAS**, The Board of Trustees, has requested and approved such amendments pursuant to said recommendations as being in the best interests of the participants and beneficiaries of the Retirement System; and

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF JACKSONVILLE BEACH, FLORIDA:**

**SECTION 1.** That Section 2-163.28 of the City of Jacksonville Beach Code of Ordinances shall be hereby amended as follows:

**Sec. 2-163.28. – Investment of retirement system assets.**

The board of trustees shall have full power and authority to invest and reinvest such moneys and assets, subject to all terms, conditions, limitations, and restrictions imposed by the State of Florida on the investments of public employee retirement systems, by investing ~~at least~~ on a market value basis up to seventy (70) ~~fifty (50)~~ percent of the retirement system's assets in equities (common stocks or capital stocks) as well as allowing for the investment of up to twenty-five (25) percent of plan assets in foreign securities on a market-value basis. The Board of Trustees may invest up to ten percent (10%) of the retirement system's assets, on a market value basis, in real estate. The Board of Trustees shall invest and reinvest such moneys in those securities or in that property, real or personal, wherever situated, as the trustee shall deem advisable, including but not limited to, stocks, common or preferred, bonds, mortgages, trusts, and other evidences of indebtedness or ownership. The board of trustees shall identify and publicly report any direct or indirect holdings it may have in any scrutinized company, as defined in Section 215.473, Florida Statutes, and proceed to sell, redeem, divest, or withdraw all publicly traded securities it may have in such company beginning January 1, 2010 and shall thereafter be prohibited from purchasing or holding such securities. The divestiture of any such security must be completed by September 30, 2010. In accordance with Ch. 2009-97, Laws of Florida, no person may bring any civil, criminal, or administrative action against the board or any employee, officer, director, or advisor of such board based upon the divestiture of any security pursuant to this paragraph. The board of trustees may employ investment managers to manage, invest, and reinvest the assets of the retirement system. Such investment managers shall be a named fiduciary with respect to the retirement system, provided the retirement system's assets are in a separately managed account, and shall so acknowledge in writing. All moneys and assets of the retirement system shall be held and invested for the sole purpose of meeting disbursements authorized in accordance with the provisions of this retirement system and shall be used for no other purposes. The board of trustees may engage a custodian to hold the funds and securities of the retirement system. Said custodian shall be a qualified public depository as defined in Section 280.02, Florida Statutes. In exercising its discretionary authority with respect to the management of the moneys and assets of the retirement system, the board of trustees and the investment managers shall exercise care, skill, prudence, and diligence, under the circumstances then prevailing, that a person of

prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character with like aims.

**SECTION 2.** All ordinances or parts of ordinances in conflict herewith be and the same are, to the extent that same may be in conflict, hereby repealed.

**SECTION 3.** If any provision of this ordinance or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect the provisions or applications of the ordinance which can be given effect without the invalid provision or application, and to this end the provisions are declared severable.

**SECTION 4.** Codification of this ordinance in the City Code of Ordinances is hereby authorized and directed.

**SECTION 5.** This ordinance shall take effect upon enactment.

**AUTHENTICATED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2013.**

\_\_\_\_\_  
William C. Latham, MAYOR

\_\_\_\_\_  
Judy L. Bullock, CITY CLERK

Introduced by: \_\_\_\_\_  
1st Reading: \_\_\_\_\_  
2nd Reading: \_\_\_\_\_

**ORDINANCE NO. 2013- 8037**

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**WHEREAS**, The Board of Trustees of the City of Jacksonville Beach Police Officers' Retirement System, at its meeting on October 3, 2013, received recommendations from its Investment Consultant that the code of ordinances governing the Retirement System be amended to permit for greater exposure to equities as well as investment in alternative investment vehicles such as commingled trusts and real estate; and

**WHEREAS**, based on current and anticipated market conditions, such modifications are reasonably necessary to generate positive returns going forward and achieve actuarial investment assumptions maintaining the viability of the Retirement System; and

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prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character with like aims.

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William C. Latham, MAYOR

\_\_\_\_\_  
Judy L. Bullock, CITY CLERK

Introduced by: \_\_\_\_\_  
1st Reading: \_\_\_\_\_  
2nd Reading: \_\_\_\_\_

**ORDINANCE NO. 2013-8038**

**AN ORDINANCE AMENDING CHAPTER 2, ARTICLE V, DIVISION 7, 'FIREFIGHTERS' RETIREMENT SYSTEM' OF THE CODE OF ORDINANCES OF THE CITY OF JACKSONVILLE BEACH; TO PROVIDE FOR A MODIFICATION TO THE PARAMETERS FOR INVESTMENT OF ASSETS OF THE RETIREMENT SYSTEM; PROVIDING A SAVINGS CLAUSE; PROVIDING FOR THE REPEAL OF ALL ORDINANCES IN CONFLICT HEREWITH; PROVIDING FOR CODIFICATION AND PROVIDING AN EFFECTIVE DATE.**

**WHEREAS**, The Board of Trustees of the City of Jacksonville Beach Firefighters' Retirement System, at its meeting on October 3, 2013, received recommendations from its Investment Consultant that the code of ordinances governing the Retirement System be amended to permit for greater exposure to equities as well as investment in alternative investment vehicles such as commingled trusts and real estate; and

**WHEREAS**, based on current and anticipated market conditions, such modifications are reasonably necessary to generate positive returns going forward and achieve actuarial investment assumptions maintaining the viability of the Retirement System; and

**WHEREAS**, The Board of Trustees, has requested and approved such amendments pursuant to said recommendations as being in the best interests of the participants and beneficiaries of the Retirement System; and

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William C. Latham, MAYOR

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Judy L. Bullock, CITY CLERK

Introduced by: \_\_\_\_\_  
1st Reading: \_\_\_\_\_  
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**WHEREAS**, The Board of Trustees of the City of Jacksonville Beach Firefighters' Retirement System, at its meeting on October 3, 2013, received recommendations from its Investment Consultant that the code of ordinances governing the Retirement System be amended to permit for greater exposure to equities as well as investment in alternative investment vehicles such as commingled trusts and real estate; and

**WHEREAS**, based on current and anticipated market conditions, such modifications are reasonably necessary to generate positive returns going forward and achieve actuarial investment assumptions maintaining the viability of the Retirement System; and

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William C. Latham, MAYOR

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Judy L. Bullock, CITY CLERK

Introduced by: \_\_\_\_\_  
1st Reading: \_\_\_\_\_  
2nd Reading: \_\_\_\_\_

**ORDINANCE NO. 2013-8039**

**AN ORDINANCE AMENDING CHAPTER 2, ARTICLE V, DIVISION 5, 'GENERAL EMPLOYEES' RETIREMENT SYSTEM' OF THE CODE OF ORDINANCES OF THE CITY OF JACKSONVILLE BEACH; TO PROVIDE FOR A MODIFICATION TO THE PARAMETERS FOR INVESTMENT OF ASSETS OF THE RETIREMENT SYSTEM; PROVIDING A SAVINGS CLAUSE; PROVIDING FOR THE REPEAL OF ALL ORDINANCES IN CONFLICT HERewith; PROVIDING FOR CODIFICATION AND PROVIDING AN EFFECTIVE DATE.**

**WHEREAS**, The Board of Trustees of the City of Jacksonville Beach General Employees' Retirement System, at its meeting on October 3, 2013, received recommendations from its Investment Consultant that the code of ordinances governing the Retirement System be amended to permit for greater exposure to equities as well as investment in alternative investment vehicles such as commingled trusts and real estate; and

**WHEREAS**, based on current and anticipated market conditions, such modifications are reasonably necessary to generate positive returns going forward and achieve actuarial investment assumptions maintaining the viability of the Retirement System; and

**WHEREAS**, The Board of Trustees, has requested and approved such amendments pursuant to said recommendations as being in the best interests of the participants and beneficiaries of the Retirement System; and

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF JACKSONVILLE BEACH, FLORIDA:**

**SECTION 1.** That Section 2-162.28 of the City of Jacksonville Beach Code of Ordinances shall be hereby amended as follows:

**Sec. 2-162.28. – Investment of retirement system assets.**

The board of trustees shall have full power and authority to invest and reinvest such moneys and assets, subject to all terms, conditions, limitations, and restrictions imposed by the State of Florida on the investments of public employee retirement systems, by investing ~~at least~~ on a market value basis up to seventy (70) ~~fifty (50)~~ percent of the retirement system's assets in equities (common stocks or capital stocks) as well as allowing for the investment of up to twenty-five (25) percent of plan assets in foreign securities on a market-value basis. The Board of Trustees may invest up to ten percent (10%) of the retirement system's assets, on a market value basis, in real estate. The Board of Trustees shall invest and reinvest such moneys in those securities or in that property, real or personal, wherever situated, as the trustee shall deem advisable, including but not limited to, stocks, common or preferred, bonds, mortgages, trusts, and other evidences of indebtedness or ownership. The board of trustees shall identify and publicly report any direct or indirect holdings it may have in any scrutinized company, as defined in Section 215.473, Florida Statutes, and proceed to sell, redeem, divest, or withdraw all publicly traded securities it may have in such company beginning January 1, 2010 and shall thereafter be prohibited from purchasing or holding such securities. The divestiture of any such security must be completed by September 30, 2010. In accordance with Ch. 2009-97, Laws of Florida, no person may bring any civil, criminal, or administrative action against the board or any employee, officer, director, or advisor of such board based upon the divestiture of any security pursuant to this paragraph. The board of trustees may employ investment managers to manage, invest, and reinvest the assets of the retirement system. Such investment managers shall be a named fiduciary with respect to the retirement system, provided the retirement system's assets are in a separately managed account, and shall so acknowledge in writing. All moneys and assets of the retirement system shall be held and invested for the sole purpose of meeting disbursements authorized in accordance with the provisions of this retirement system and shall be used for no other purposes. The board of trustees may engage a custodian to hold the funds and securities of the retirement system. Said custodian shall be a qualified public depository as defined in Section 280.02, Florida Statutes. In exercising its discretionary authority with respect to the management of the moneys and assets of the retirement system, the board of trustees and the investment managers shall exercise care, skill, prudence, and diligence, under the circumstances then prevailing, that a person of

prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character with like aims.

**SECTION 2.** All ordinances or parts of ordinances in conflict herewith be and the same are, to the extent that same may be in conflict, hereby repealed.

**SECTION 3.** If any provision of this ordinance or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect the provisions or applications of the ordinance which can be given effect without the invalid provision or application, and to this end the provisions are declared severable.

**SECTION 4.** Codification of this ordinance in the City Code of Ordinances is hereby authorized and directed.

**SECTION 5.** This ordinance shall take effect upon enactment.

**AUTHENTICATED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2013.**

\_\_\_\_\_  
William C. Latham, MAYOR

\_\_\_\_\_  
Judy L. Bullock, CITY CLERK

Introduced by: \_\_\_\_\_  
1st Reading: \_\_\_\_\_  
2nd Reading: \_\_\_\_\_

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Judy L. Bullock, CITY CLERK

City of

Jacksonville Beach

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December 10, 2013

## MEMORANDUM

**TO:** George Forbes  
City Manager

**From:** Harry Royal  
Finance Officer

**RE:** Implementation of Credit Card Payments for Utility and Other  
Governmental Services

### ACTION REQUESTED:

Approve implementation plan to accept credit card payments from customers for utility and other governmental services.

### BACKGROUND:

Since 2003 the City has accepted credit card utility payments through a 3<sup>rd</sup> party vendor by phone or the internet. For this service the vendor charges the customer a convenience fee of \$4.95 per \$500 payment for processing the transaction and there is no charge to the City. Subsequently the vendor remits the payments and payee information to the City for processing.

Other payment options currently available to our utility customers to pay their utility bills are as follows:

1. Automatic payment by bank draft service wherein utility payments are automatically drafted from customers' checking or savings account on the due date of the bill.
2. Pay on-line through an automatic withdrawal from the utility customers' personal bank accounts for their utility payment.
3. Pay through an automated phone system.
4. Pay at the two after-hour depositories (front door and drive-thru area).
5. Pay in person at drive through which is open from 7:30 AM – 5:00 PM, or the front counter that is open 8:00 AM – 5:00 PM.
6. Pay by mail using the pre-addressed envelope that comes with the monthly bill.

The use of credit cards as the preferred payment method has become the most widely accepted form of payment in many industries. The City has experienced a greater demand expressed through customers requesting to use their credit/debit card at the City Hall front counter and drive-thru window. The problem with



accepting credit card payments at the counter is up until recently a utility or government could not collect a convenience fee at the counter to off-set the credit card fees that would be incurred. Visa and MasterCard rules have long prohibited merchants from charging customers paying by credit-card more than customers using any other form of payment. Recently Visa and MasterCard agreed to a court settlement that allows retailers to surcharge customers for paying with credit cards.

We have diligently researched our options and related costs to implement accepting credit cards payments by customers for both utility and other governmental services. The options we considered were as follows:

1. Absorb all credit card costs.
2. Charge a convenience fee of two percent to cover costs for both utility and government revenues.

Based on our analysis, we estimate that a two percent convenience fee should recover the credit card fees and is the only financially feasible option. Chart 1 shows the estimated annual credit card fees at different customer participation rates.

However, there are certain fixed and variable costs that would be required to implement a credit card program utilizing convenience fees. These costs are summarized in Chart 2. The monies for this project are not included in the budget and will be included in the mid-year budget modification if the City Council approves staff's recommendation. The costs in Chart 2 are estimated and may need revising as we proceed with the implementation of the credit card program. Please be aware that these are estimated costs and the timing for implementation of credit cards is dependent not only on the installation of the software and hardware products but scheduling the training needed for staff on these products.

**RECOMMENDATION:**

Authorize Option 2 for the implementation of a credit card program, and the expenditure of funds for costs associated with the program as explained in the memorandum from the Finance Officer dated December 10, 2013.

# CHART 1

## ESTIMATED ANNUAL CREDIT CARD FEES

CUSTOMER PARTICIPATION RATE	ANNUAL CREDIT CARD FEES
5%	\$ 184,932
10%	\$ 371,083
15%	\$ 556,015
20%	\$ 740,785
25%	\$ 927,186
30%	\$ 1,102,923
35%	\$ 1,287,854
40%	\$ 1,472,537

Note: These amounts are based on bill distribution amount frequencies and card usage mix.

# CHART 2

## ANALYSIS OF FIXED AND VARIABLE COSTS TO IMPLEMENT CREDIT CARD PROGRAM

PRODUCT	SERVICE PORTAL	VENDOR	BRIEF DESCRIPTION OF PRODUCT	PURCHASE COST	ANNUAL MAINTENANCE FEES
OnePoint Point-of-Sale	Counter	SunGard	Software to enable credit card processing, Integrate with financial software, batch transactions to bank	\$ 11,745	\$ 1,350
GovNOW or Click2Gov3	Web	SunGard	Software to enable online payment processing to multiple applications, UB, BP, OL, MR	\$ 21,299	\$ 5,740
IVR Credit Card Module	Phone	Selectron	Software to enable credit card processing in IVR	\$ 2,500	
IVR Convenience Fee Module	Phone	Selectron	Software to enable convenience fee calculation on credit card payments in IVR	\$ 3,500	
E Check Processing	Web	AMS	Software to batch online e-check payments and integrate with financial software (this would replace our current process)	\$ 250	\$ 18,000 *
Credit Card Swipe Machines	Counter	SPS VAR	Hardware - 10 credit card swipe machines	\$ 1,000	**
<b>TOTAL COSTS</b>				<b>\$ 40,294</b>	<b>\$ 25,090</b>

\*AMS agreement is \$10 per month + \$0.40 per transaction, estimated monthly transactions 3,700

\*\* Hardware costs may go up if City opts for different merchant accounts



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Operations &  
Maintenance Facility  
Department of Public  
Works  
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December 9, 2013

**TO:** George Forbes, City Manager

**FROM:** Ty Edwards, Public Works

**SUBJECT:** Authorize Additional Cooperation with the City's Partners in the North Florida Utilities Coordination Group Agreement

**ACTION REQUESTED:**

1. Authorize City participation with the other members of the North Florida Utilities Coordination Group in pursuing as necessary a legal challenge to the rulemaking on adoption of minimum flows and levels for the Lower Sante Fe River by the Florida Department of Environmental Protection (FDEP).
2. Authorize City execution of the Joint Defense and Common Interest Agreement with the other members of the North Florida Utilities Coordination Group in preparation for any possible legal challenge

**BACKGROUND:**

In 2009, various water utilities in North Florida began participating on area water supply planning work with the St. Johns River and the Suwannee River Water Management Districts. In 2012, to better speak as one voice on matters with the districts, the water utilities formally organized by agreement as the **North Florida Utilities Coordination Group**. Currently, the utilities group has eight (8) members: the City of Atlantic Beach, City of Neptune Beach, City of Jacksonville Beach, JEA, Clay County Utility Authority, St. Johns County Utilities, Gainesville Regional Utilities, and the Town of Orange Park. The group also combines resources for engineering and legal assistance to determine the most accurate and reliable groundwater resource projections and review policy activities.

The water planning process by each Water Management District includes **adopting Minimum Flows and Levels for rivers**, lakes and springs within the district area, and setting Prevention and Recovery Strategies to recover and/or maintain the adopted flows and levels. The objective of an adopted Minimum Flows and Levels is to prevent harm to the water resources or ecology of an area that could result from permitted water withdrawals. The objective of an associated Prevention and Recovery Strategy is to achieve and maintain the minimum flows by developing a menu of future water infrastructure projects that water users are



responsible to assist in funding as a requirement in **consumptive use permits** allowing withdrawal of groundwater.

Water utilities also place protection of water resources at the highest level. Yet we have the added responsibility of providing the most cost-effective product to our customers. The best science available is critical to balancing and meeting these two goals. The **utilities coordinating group hired technical experts, Jones Edmunds & Associates**, to assist us in working cooperatively with the districts on the **best science available** and developing technical data for each minimum flows and levels to be considered for adoption and the associated prevention and recovery strategy. We have also engaged **legal experts, de la Parte & Gilbert, P.A.**, to advise us on water policy and regulatory issues.

#### **THE CURRENT CRITICAL ISSUE:**

The utilities coordination group has found it very difficult to gain access to the technical data and minimum flows and levels for the Lower Santa Fe River proposed by the Suwannee River Water Management District. The district has fast tracked its adoption by delegating this responsibility to FDEP for adoption by rulemaking, which is tentatively scheduled for the 1<sup>st</sup> quarter of 2014.

**We have major concerns with the scientific basis for these proposed minimum flows and levels.** Based on the information we have, this could require a major reduction in groundwater pumping for all of North Florida—possibly back to levels from the 1960s, which could translate into much higher costs to provide water to customers and subsequently the raising of water rates.

It appears that the Suwannee River Water Management District and FDEP may proceed with adoption of the minimum flows and levels without considering our technical data. There is a lot of uncertainty whether reductions in permitted withdrawals issued in consumptive use permits over the past few years have been considered in the proposed minimum flows.

Also, it appears FDEP may adopt the proposed minimum flows without providing the Prevention and Recovery Strategy (which is not consistent with the law) and/or its associated costs that would allow water users to understand their responsibilities. We are very concerned that water utilities may be required to participate in very expensive projects. Utilities need to know what is expected of them in order to make long range plans for design and construction of projects and

adjust rates accordingly. We want to thoroughly examine proposed strategy projects for costs versus benefits.

Due to these concerns, **the utilities coordination group is preparing for a legal challenge to FDEP's rulemaking for adoption of the Minimum Flows and Levels for the Lower Santa Fe River.** If the legal challenge becomes necessary, it would be initiated in early 2014.

On advice from our legal consultant, **the utilities members are seeking concurrence in executing a Joint Defense and Common Interest Agreement** prior to initiating any legal challenge.

Due to Engineering and Legal consultant efforts and expenses in preparation for the possible legal challenge in early 2014, it is anticipated that the estimated budget in our Agreement may almost double (increasing from \$500,000 annually to around \$900,000) in a very short time. By the Agreement, the City's pro rata portion of the annual budget is 1.44% of the total (increasing from \$7,204 to an estimated \$14,408). At the start of 2014, an amendment to our Agreement is to be presented for Council consideration to formally increase the budget accordingly.

**The bottom line is we are working to gather information and have the data, budget and legal ability to protect the interests of the City of Jacksonville Beach and its residents.**

**RECOMMENDATION:**

As explained in the memorandum from the Public Works Director dated December 9, 2013:

1. Authorize City participation with the other members of the North Florida Utilities Coordination Group in pursuing as may be necessary a legal challenge to the Florida Department of Environmental Protection rulemaking on adopting the minimum flows and levels for the Lower Santa Fe River.
2. Authorize the Mayor and City Manager to execute the Joint Defense and Common Interest Agreement between members of the North Florida Utilities Coordination Group.

# Minimum Flows & Levels Study Areas, Santa Fe River Basin

**The Suwannee River  
Water Management District**

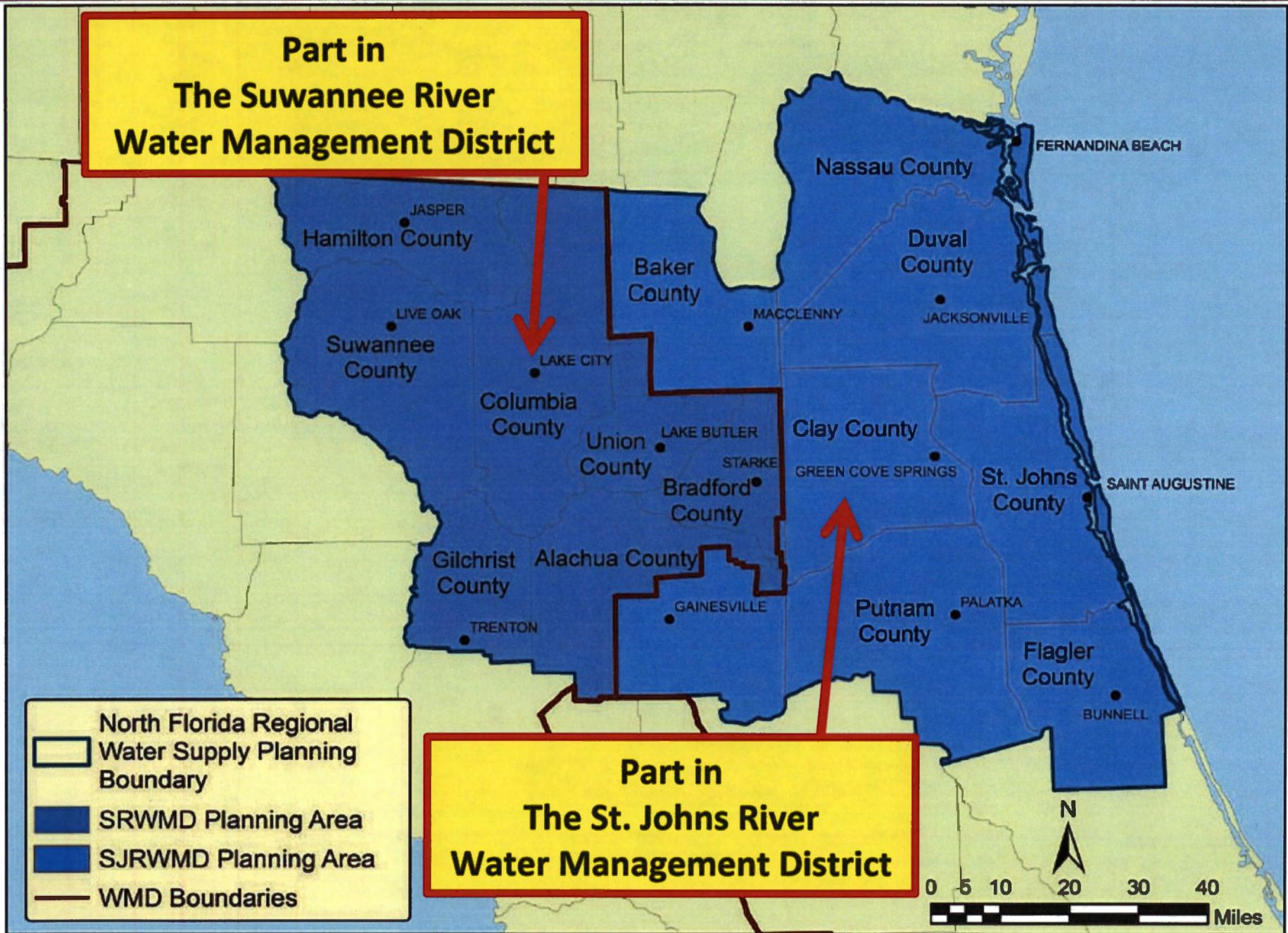
**The St. Johns River  
Water Management District**



**The Lower Santa Fe  
River Basin**

**The Upper Santa Fe  
River Basin**

# North Florida Regional Water Supply Planning Area



# Projected Estimated Compliance Costs for the Proposed Minimum Flows & Levels, Lower Sante Fe River

