

OFFICE OF GENERAL COUNSEL  
CITY OF JACKSONVILLE  
117 WEST DUVAL STREET  
SUITE 480  
JACKSONVILLE, FL 32202  
PHONE: (904) 630-4647



## MEMORANDUM

**TO:** Honorable Council Member Michael Boylan

**FROM:** Margaret M. Sidman, Deputy Legislative Affairs & Managing Deputy *MMS*

**RE:** Future Councils ability to appropriate reserve funds

**DATE:** December 6, 2019

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### **I. Background.**

The March 22, 2018 Council Auditor's report on the "Potential Sale of JEA: Things to Consider" observed that if JEA were sold, the City will no longer receive the JEA contribution, thus creating a hole in the City budget. The amount of ad valorem taxes paid by a private utility would likely be less than the amount of the JEA contribution. The Auditor's report offers, for consideration by the Council, that a portion of the sale proceeds be permanently set aside to generate a revenue stream equal to the approximate difference between the JEA contribution and the ad valorem taxes estimated to be paid by an Investor Owned Utility (IOU).

### **II. Question Asked.**

Whether the sale proceeds set aside in a reserve account to create a revenue stream to replace the JEA contribution could be appropriated by future Councils for other public purposes?

### **III. Short answer.**

Yes. The City Council adopts an annual budget from available funds. Each Council can appropriate available funds based on the needs and priorities of the City at the time. Therefore, the "permanency" of these funds is subject to the annual budget process.

#### **IV. Analysis.**

The key Charter provisions related to the budget include: (1) the requirement that the Mayor submit an annual budget to the Council (*Section 6.04*, Charter); (2) the requirement that the Council adopt an annual budget (*Section 5.07*, Charter); (3) the authority of the Mayor to "disapprove the sum of money appropriated by any one or more items, or parts of items, in any ordinance appropriating money for the use of the consolidated government or any independent agency" (*Section 6.05*, Charter); and (4) the power of the Council to override such veto (*Section 6.05*, Charter).

Since the Charter budgetary provisions furnish only broad guidelines for a budgetary process, the Council and the Mayor have discretion in implementing the budget. The City must also abide by state law including but not limited to the provisions of Chapter 129 and 200, Florida Statutes. The Council, as the governing body of the City and the authority which adopts the annual budget, determines the final form of the budget.

The primary purpose of an annual budget is to require the City to make all of its reasonably foreseeable financial plans and incorporate them in one document once each year and to permit the citizens and taxpayers who provide the funds to see and comment on all of these plans at one time, based on an examination of one basic document.