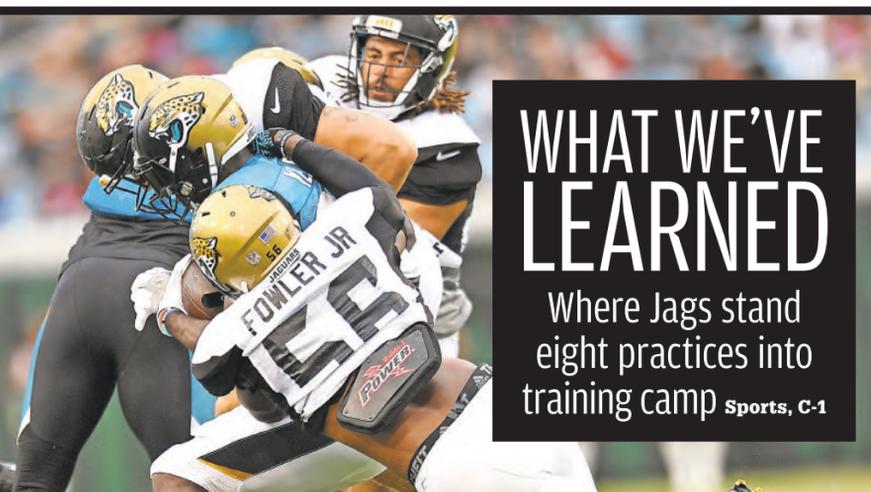


The Florida Times-Union

Saturday
AUGUST 6, 2016
\$2



SCOTT: NO ZIKA SPREAD BEYOND MIAMI
Metro, B-1



WHAT WE'VE LEARNED
Where Jags stand eight practices into training camp **Sports, C-1**

DID JACKSONVILLE POLICE REALLY GET PIZZA FROM TRUMP?
Metro, B-4



DAD WHOSE TWIN GIRLS DIED IN HOT CAR IS ARRESTED
Georgia, B-2



Rio's games begin



Swimmer Michael Phelps carries U.S. flag during the opening ceremony for the 2016 Summer Olympics in Rio de Janeiro on Friday. **Matt Slocum Associated Press**



When: Friday, Aug. 5 to Sunday, Aug. 21

Where: Rio de Janeiro

Slogan: "A New World"

Mascot: "Vinicius," a mix of different Brazilian animals.

TV coverage: NBC, USA, MSNBC, CNBC, Bravo GolfChannel, NBCSN, Telemundo, NBC Universo.

MORE IN SPORTS
Rio ready for talk of Games to focus on sports. **C-1**

Brazilian marathoner lights cauldron to open Games for nation facing struggles

By **Mauricio Savarese & John Leicester**
Associated Press

RIO DE JANEIRO | With fireworks forming the word "Rio" in the sky and supermodel Gisele Bündchen shimmering to the tune of "The Girl from Ipanema," Rio de Janeiro jubilantly welcomed the world Friday to the first Olympic Games in South America.

After one of the roughest-ever rides from vote to games by an Olympic host, the city of beaches, carnival, grinding poverty and sun-kissed wealth opened the two-week games of the 31st Olympiad with a high-energy gala celebration of Brazil's can-do spirit, biodiversity and melting pot history.

The low-tech, cut-price opening ceremony, a moment of levity for a nation beset by economic and political woes, featured performers as blazes, gravity-defying climbers hanging from buildings in Brazil's teeming megacities and — of course — dancers, all hips and wobble, grooving to thumping funk and sultry samba.

But Brazil also packaged its party with so-

OLYMPICS continues on **A-6**



Michael Sohn Associated Press

Brazilian marathon runner Vanderlei de Lima lit the Olympic flame. He won the bronze medal in 2004 after he was attacked by a spectator.

The Pension Storm

A Times-Union Special Series

The Times-Union is taking an in-depth look at the proposed half-cent sales tax for pension costs

- Today:** How did Jacksonville get to this point?
- Monday:** How is Curry campaigning for the tax?
- Wednesday:** What if the sales tax referendum fails?
- Sunday:** Will Mayor Curry's plan fix the problem?
- Tuesday:** What happens to employees' benefits?
- J** Read the series online at jacksonville.com/pensionseries

How city pension debt grew

Voters are now being asked to approve a tax to pay it down

By **Christopher Hong & David Bauerlein**
The Times-Union

After years of hearing about Jacksonville's alarming pension struggles, voters will be asked later this month to approve a plan that Mayor Lenny Curry says will pay off the spiraling \$2.85 billion pension debt that cripples City Hall's spending on quality-of-life initiatives, like hiring police officers, expanding library hours and maintaining parks and roads.

Curry wants to use a half-cent sales tax, which would begin in 14 years, to pay off the pension debt and is vigorously selling his plan at town hall meetings and in campaign ads.

But with the conversation focused on fixing the problem, it's easy for an-

other topic to get lost in the discussion:

How did Jacksonville get here?

City leaders have called for pension reform since as early as 2008, when Florida TaxWatch, a nonprofit government watchdog group, raised concerns that Jacksonville owed \$798 million at the time for police and firefighter pensions. The debt to that pension fund, the biggest source of the city's pension woes, now stands at \$1.8 billion.

Since that time, the city has been forced to spend vast sums toward its pension debt and neglect quality-of-life services and other pressing needs as a result. Next year, the city is expected to pay a fifth of its operating budget on its pension costs.

PENSION continues on **A-7**

Election 2016

Poll: Young adults don't relate to political parties

28 percent of group says parties do a good job, according to survey

By **Laurie Kellman & Emily Swanson**
Associated Press

WASHINGTON | Most young Americans say the Republican and Democratic parties don't represent them, a critical data point after a year of ferocious presidential primaries that forced partisans on both sides to confront what — and whom — they stand for.

That's according to a new GenForward poll that shows the disconnect holds true across racial and ethnic groups, with just 28 percent of young adults overall saying the two ma-

MORE INSIDE

Troubles: Donald Trump faces an all-too-clear sign of GOP divisions in two Midwestern battlegrounds. **A-4**

A new look: Clinton's influence on how voters look upon the race stretches beyond policy and campaign tactics. **A-4**

or parties do a good job of representing the American people.

The poll shows that despite this across-the-board feeling of disenchantment with the two-party system, the Democratic Party holds a clear advantage in appealing to young people of color. But among young whites, majorities feel left out by both parties.

POLL continues on **A-7**

Weather
Afternoon thunderstorms
Forecast on **A-2**

90 Today's high

74 Sunday morning's low

DAILY DEAL!

Bad to the Bone Pet Care: \$20 for stay in your home pet sitting **Details, A-2**

Classified **D-8** Editorials **B-8**
Comics **D-4** Legals **B-2**
Crosswords **D-4, E-11** Money **B-6**
Dining **D** Obituaries **B-5**

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153RD YEAR
6 SECTIONS
62 PAGES

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PENSION

Continued from A-1

Other cities in Florida have struggled with pensions, but Jacksonville is the largest one in the state to experience troubles of this magnitude, said Carol Weissert of the LeRoy Collins Institute at Florida State University, which researches local governments' pension issues.

"I think that's one of the reasons it got attention," Weissert said. "Clearly there are municipalities in worse shape, but they tend to be small."

The police and fire pension fund received a D rating from the institute in a report released in 2014. That was an improvement from the F it received from a similar report card issued in 2011.

Much of the city's reform efforts have focused on the police and fire pension fund, but Curry's tax plan would also pay off the city's two other pension funds for its general employees and corrections officers. They have also struggled in recent years.

STOCKS WREAKED HAVOC

The city uses investment earnings to help pay for the pensions it promises for employees in retirement. While the city's three funds have more than \$3 billion in combined assets, the amount owed in pension payments to retirees over the next three decades is even greater. The difference between the assets and the amount owed is referred to as the unfunded liability, or simply the pension debt.

The pension funds' assets were hit hard during the stock market's dismal stretches in the early 2000s and even worse by the crash in 2008. Although the funds eventually recovered their losses, it wasn't nearly enough to keep pace with the snowballing debt.

For example, the police and fire pension fund's assets last year covered just 43 percent of the debt, compared to 87 percent in 2000.

Other factors besides the stock market contributed to the exploding pension debt payments. In 2009, the police and fire pension fund began using new assumptions about when employees would retire and how long retirees would live, which increased the pension debt. In 2012, it scaled back its estimated investment returns to a more conservative rate, which required the city to pay more money to pay down the pension debt.

The city made similar changes to its other pension plans.

As a city's pension debt increases, so do the yearly payments that Florida law requires the city to make so it will keep pace and pay the debt off over a 30-year period.

In Jacksonville's case, the payments skyrocketed.

The pension debt has been creeping up since 2001, but the city's pension contributions have more than doubled in the last four years.

Next year, the city will contribute \$292 million to the three pension plans. The money will come from various sources, including JEA, but the city's operating budget will foot the biggest chunk of the bill by contributing \$226 million. That would be 20.7 percent of a nearly \$1.1 billion operating budget, according to the City Council Auditor's office.

BUDGET SQUEEZE

As the city's pension debt payments began to

explode several years ago, they came on top of other financial difficulties, like the sluggish economy and falling property values that were already menacing the city's finances.

As a result, city officials were forced to place quality-of-life spending on the back burner and neglect investing in its aging infrastructure. The city hiked the property tax rate by 14 percent in 2013 in order to prevent sweeping layoffs and across-the-board cuts.

"It was a perfect storm of pension's impact on the budget," said Chris Hand, chief of staff for then-mayor Alvin Brown. "It's very hard for a municipal budget to absorb that cost increase when revenues are flat or dropping on a relative basis."

These days, property values are on the upswing and the economy is stronger, leaving the city slightly better prepared to deal with its ever growing pension debt payments.

Sweeping cuts and tax increases no longer loom over yearly budget discussions. And although Curry has said Jacksonville could turn into Detroit if it doesn't fix the pension problem, there's little empirical evidence that suggests the city is on such a path. While Detroit declared bankruptcy in 2013, in part, because it couldn't pay its pension debt, Jacksonville isn't in danger of missing its payments. Florida law requires cities to make its required payment each year, and Jacksonville has never skipped one.

Still, the city has a glaring need for money, at least if it wants to spend more on services that benefit residents.

EXISTING CHANGES

The city's pension reform efforts in recent years have focused on putting more money into the police and fire pension fund and changing retirement benefits for new hires.

However, political and economic realities created a difficult path toward reaching a reform deal.

Former Mayor John Peyton worked to strike a deal, but his proposal wasn't approved before he left office. Brown replaced Peyton's proposal with a plan of his own, the first of several he'd make in his long road to achieve pension reform.

For years, police and firefighters' retirement benefits were spelled out in a deal the city reached in 2001, often referred to as the 30-year agreement because of the length of its term. A state judge struck down that deal in 2015 because it was negotiated in private sessions that should have been open to the public.

When the deal was effective, it allowed the city to change employees' benefits. However, any changes had to be approved by both the City Council and the Police and Fire Pension Fund, which negotiated on behalf of employees, and Brown had difficulty reaching a deal that was agreeable by both parties.

Brown also couldn't convince the council about how the city would pay extra funding that would accelerate paydown of the pension debt. Brown finally reached an agreement with the pension fund last summer in the waning days of his term.

The hallmark deal changed to more affordable levels the retirement benefits for new employees and employees with less than 20 years of service. It also made changes to the structure and governance

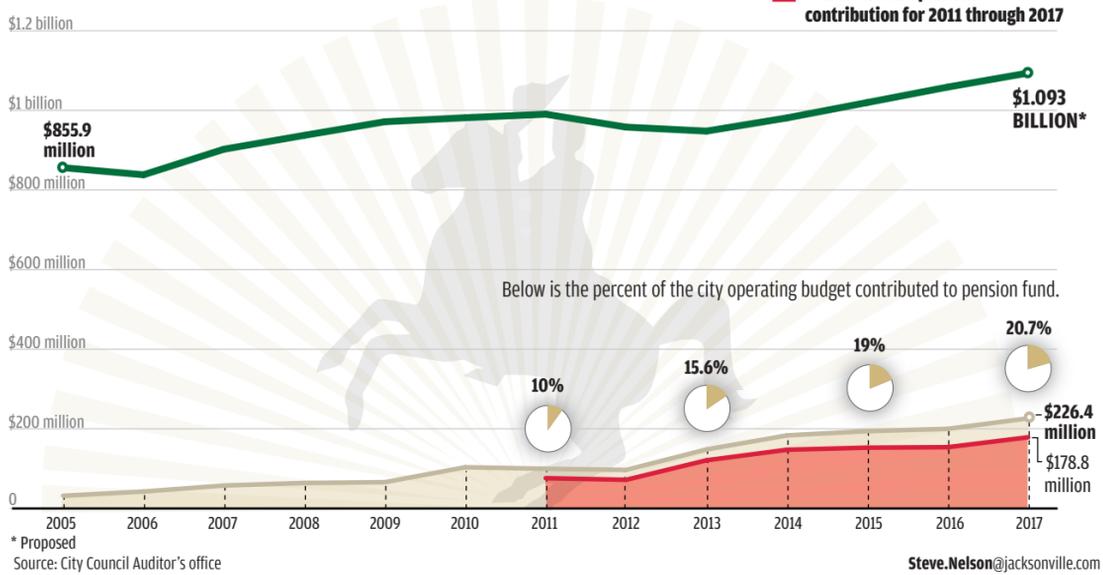
ties don't care much about them, including 58 percent who say that of the Republican Party and 52 percent who say it about the Democratic Party.

GenForward is a survey by the Black Youth Project at the University of Chicago with the Associated Press-NORC Center for Public Affairs Research. The first-of-its-kind poll pays special attention to the voices of young adults of color, highlighting how race and ethnicity shape the opinions of a new generation.

The results of the survey of Americans age 18-30 reflect something of an identity crisis for both parties heading into the future, driven in part by

Eating a bigger hole in the city budget

Rising pension costs are swallowing a larger chunk of the city's operating budget. Next year, one-fifth of the operating budget will go toward paying pension costs. City budget records do not break out police and fire pension costs separately before 2011.



OTHER OPTIONS FOR BUDGET RELIEF

If voters approve a half-cent sales tax for pension debt, the city has two options for budget relief besides spreading pension payments over a longer period of time.

OPTION 1 BORROW AGAINST SALES TAX REVENUE

The city could issue debt to pay a portion of its annual pension contributions and then repay the debt after the half-cent sales tax starts in 2031.

Advantages: Using borrowed money to pay a portion of annual pension costs would free up money elsewhere in the budget for improving city services.

Disadvantages: The city would repay the debt plus interest, adding to the costs the city would pay after 2031.

Bottom line: Jacksonville Mayor Lenny Curry is "not inclined" to use the borrowing option, but he hasn't ruled it out. It's not possible to measure the financial impact without knowing how much, if any, the city would borrow and at what interest rate.

OPTION 2 COUNT FUTURE SALES TAXES AS CURRENT ASSETS

For accounting purposes, the city could convert the value of half-cent sales tax revenue after 2031 into a present-day asset for its pension plans. By counting it as an asset, the city's pension debt would be less, and therefore, the city's annual pension costs would be less.

Advantages: It would result in even lower annual pension costs than the city would get by just spreading pension payments over a longer period of time.

Disadvantages: The on-paper assets would not actually be money the pension plans can invest to cover future pension obligations. As a result, the city would pay less now but pay more later to make up for lost investment income. Pension experts say they don't know of any city or state that has used this accounting maneuver.

Bottom line: The city has not run any financial studies for the impact of this approach on its three pension plans.

THE LONG ROAD TOWARD PENSION REFORM

2001: The city approves a 30-year agreement with the Police and Fire Pension Fund spelling out pension benefits for police and firefighters.

2008: Florida TaxWatch, a nonprofit watchdog group, warns that Jacksonville's fast-growing pension debt threatens the city's financial stability.

2011: Mayor John Peyton reaches an agreement with the Police and Fire Pension Fund on benefits changes, but the City Council never votes on it.

2013: Mayor Alvin Brown and the pension fund agree on benefit reductions. City Council rejects the plan, saying it doesn't go far enough.

June 2015: Brown and the pension fund sign an agreement for police and firefighter benefits reductions.

January 2016: Mayor Lenny Curry unveils a pension plan that asks the state Legislature for authority to enact a half-cent sales tax for pension debt.

March: Gov. Rick Scott signs a bill allowing a voter referendum on a sales tax.

August 30: A referendum will decide if Duval County voters approve.

Source: Times-Union research

WHEN AND WHERE TO VOTE

Duval County voters will decide this month on a proposed half-cent sales tax to pay down the city's \$2.85 billion pension debt.

What does the ballot measure say:

"Permanently closing up to three of the city's underfunded defined benefit retirement plans, increasing the employee contribution for those plans to a minimum of 10 percent, and ending the Better Jacksonville half-cent sales tax are all required to adopt a half-cent sales tax solely dedicated to reducing the city's unfunded pension liability. Shall such pension liability sales tax, which ends upon elimination of the unfunded pension liability or in 30 years maximum, be adopted?"

Who can vote on the referendum:

All Duval County registered voters, regardless of party affiliation

When can they vote:

Early voting runs from Aug. 15-28. Election Day is Aug. 30.

What are the early voting sites:

- Argyle Branch Library, 7973 Old Middleburg Road
- Beaches Branch Library, 600 Third Street, Neptune Beach
- Bradham & Brooks Branch Library, 1755 Edgewood Ave. W.
- Gateway Town Center, 910 44th St. W.
- Highlands Regional Library, 1826 Dunn Ave.
- Legends Community Center, 5130 Soutel Drive
- Mandarin Branch Library, 3330 Kori Road
- Murray Hill Branch Library, 918 Edgewood Ave. S.
- Oceanway Community Center, 12215 Sago Ave. W.
- Pablo Creek Regional Library, 13295 Beach Blvd.
- Regency Square Branch Library, 9900 Regency Square Blvd.
- San Marco Branch Library, 1513 LaSalle St.
- Supervisor of Elections main office, 105 E. Monroe St.
- South Mandarin Branch Library, 12125 San Jose Blvd.
- Southeast Regional Library, 10599 Deerwood Park Blvd.
- University Park Branch Library, 3435 University Blvd. N.
- Webb-Wesconnett Regional Library, 6887 103rd St.
- West Branch Library, 1425 Chaffee Road S.

Sources: Duval County Supervisor of Elections, city of Jacksonville

of the pension fund to ensure it used best practices to administer it.

In exchange, the city agreed to pay an additional \$350 million to the pension fund over a 13-year period on top of the yearly required payments. Officials said the supplemental payments will bolster the

pension fund's investment returns and more quickly close the gap on its debt.

However, the deal didn't lay out a funding source for the extra payments.

The city paid an extra \$5 million in this year's budget and is committed to paying \$10 million next year, \$15 million the follow-

ing year and then \$32 million for the next 10 years.

Curry's plan, which calls for extending the half-cent sales tax currently levied to pay for the Better Jacksonville Plan when it expires in 2030, would give the city budget relief by spreading the pension payments over a longer period of time.

On Aug. 30, voters will make their choice on the plan, residents' first opportunity to make a direct decision on pension reform.

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POLL

Continued from A-1

More than two-thirds of young adults, including vast majorities of young Asian-Americans, Hispanics and blacks, say the Republican Party does not care about people like them.

Democrats fare a bit better among young people overall, with a small majority — 53 percent — saying the party cares about people like them. Among young African-Americans, Hispanics and Asian-Americans, most believe the party does care about people like them. But among young whites, majorities say both par-

deep antipathy toward the presidential candidates they nominated. Republican Donald Trump and Democrat Hillary Clinton, the two least-popular presidential nominees in the history of modern polling, were opposed by large and bitter swaths of their parties.

Young people aren't certain to fall in line behind the nominees, the survey found. Three-quarters of young adults say the billionaire real estate magnate is unqualified to be president even after he vanquished 16 GOP rivals. Half say the same of Clinton, a former senator and secretary of state, after unlikely rival Bernie Sanders forced her to fight for the

nomination for a year.

Emiliano Vera, 22, of Bushnell, Ill., says he isn't coming back to the Democratic Party that attracted him with Barack Obama's nomination in 2008. Ideology this year drew him to Sanders. But disenchantment with what seemed like an obviously rigged nomination process in Clinton's favor, he says, is what's pushing him to the Green Party. Leaked Democratic National Committee emails confirmed for him that the party had their thumb on the scale for Clinton, Vera said.

"This is the last straw for me," said Vera, part of the majority of young Sanders supporters on whom Clinton cannot de-

pend for votes, the survey found. This year, he says, his friends agree that the Democratic Party generally is the "lesser evil" to the GOP's Trump.

But for all the disenchantment, young adults across racial and ethnic groups are mostly unfamiliar with their alternatives. Seven in 10 say they don't know enough about Libertarian presidential candidate Gary Johnson to have an opinion about him, and nearly 8 in 10 say the same about Green Party candidate Jill Stein.

The 18-30 age group tends not to be a conservative constituency, so the survey contains critical data particularly for Democrats and Clinton, who

has said she knows she has "work to do" to appeal to the young people who flocked to Sanders during the primary.

Rachel Mace, 20, is an example of the challenge faced by Democrats and Clinton in particular. The Farmington, Mich., resident supported Sanders and says she wants to see one party make "a meaningful commitment" to public financing of campaigns. She doubts she'll ever see a party seek that reform voluntarily.

"There's more hope, I think, for the Democratic Party, but we're going to have to force them," Mace said. As for Clinton, "I find her to be incredibly corrupt."