



# Overview of Louisville Metro's Infrastructure & Fiscal Items

April 12, 2016



# Topics

- Improved Fiscal Situation from 5 budgets ago/Overview on Improvements and Transparent Nature of our Financials
- Fund Balance
- Revenue
- Pension/Impact of future GASB Statements
- Capital Assets
- Debt, Debt Capacity & Credit Ratings



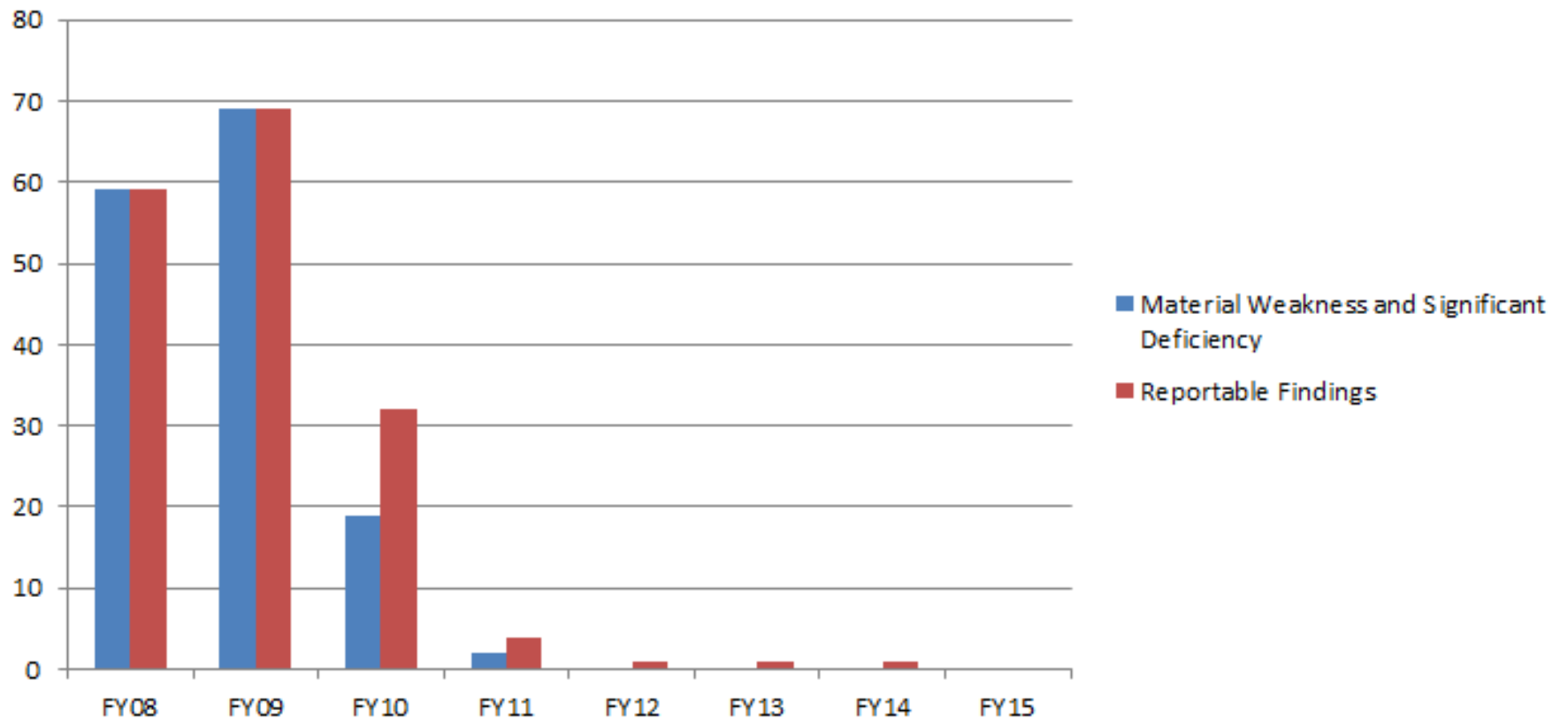
# Overview

- To understand where we are we must understand where we've been
- FY11 & FY12 Budget Environment
  - Structural budget deficit
  - Outstanding significant lawsuits
  - Audit issues
  - Limited economic growth emerging after recession



# Audit Findings

## # of Material Weaknesses and Significant Deficiencies



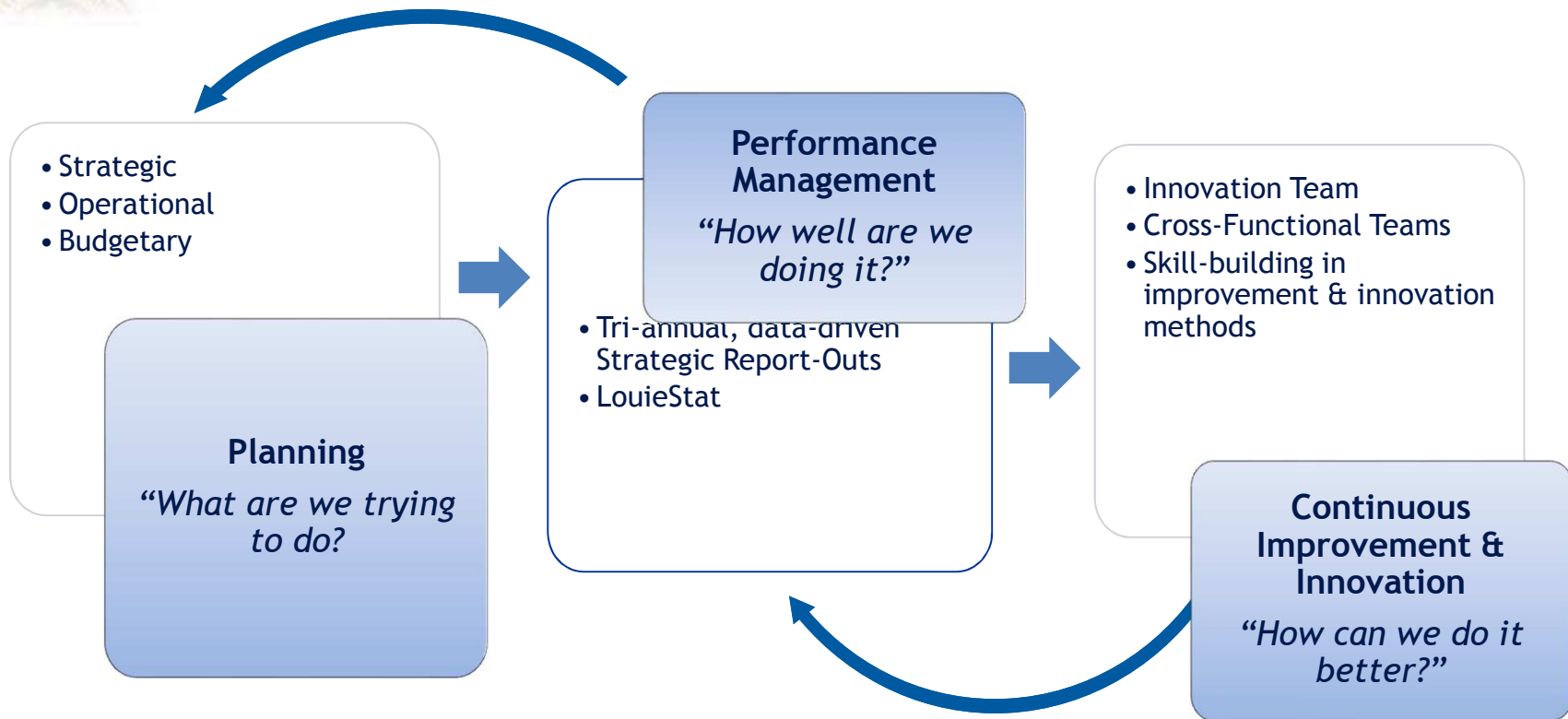


# Addressing the Structural Deficit

1. We created breathing room to continue operations in FY12 using some one-time measures
2. We addressed our structural expenses, revenues, and organization
3. We became more efficient more quickly (LouieStat)
4. We promoted pro-growth policies within our economic development and innovation platforms (Louisville Forward)



# Metro's Performance & Innovation System





# Proven Impact – Consistently Monitored

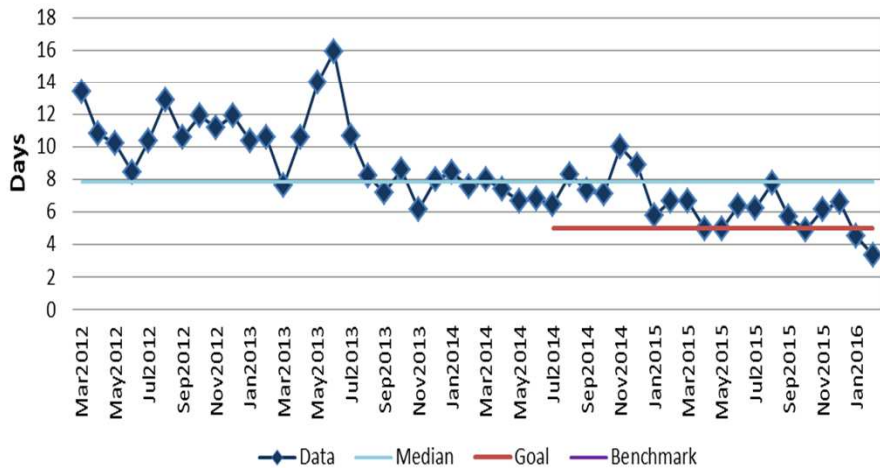
The screenshot shows the LouieStat website interface. It includes a navigation bar with 'Home', 'About', 'Process', and 'FAQ'. The main content area features a 'Welcome to LouieStat' message, a 'New Measures' table, a 'Popular Departments' table, a 'From the Mayor' quote, and a 'Metrics' section for 'Engineering KPIs' as of 10/16/2014. The 'Engineering KPIs' table lists various metrics such as 'Dollars Spent on Overtime', 'Overtime Hours Paid', and 'Hours Not Worked', each with a 'Current Level', 'Goal Level', and 'YTD Status'.

Department	Date
Public Works and Assets	10/16/2014
Office of Performance Improvement	10/16/2014
Emergency Medical Services	10/08/2014
Metro Parks	10/06/2014
Louisville Zoo	09/29/2014
Office of Management & Budget	09/25/2014

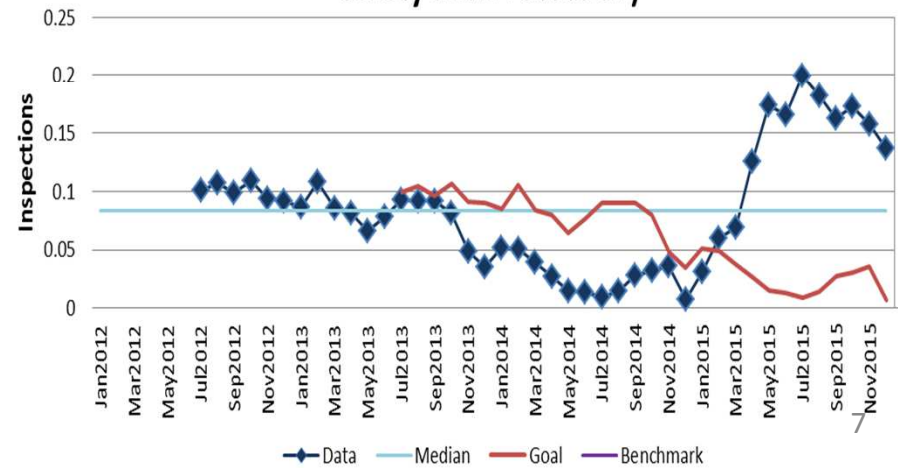
Department	Views
Public Works and Assets	19,101
Louisville Fire Department	17,396
Public Health and Wellness	15,184
Metro Corrections	14,308
Metro Animal Services	12,903
Codes and Regulations	12,560

Measure	Current Level	Goal Level	YTD Status	PDF
Dollars Spent on Overtime	\$438,374	\$320,331	⊘	📄
Overtime Hours Paid	10,358 hours	7,549 hours	⊘	📄
Hours Not Worked	7,919 hours	7,332 hours	⚠️	📄
Hours Lost Due to Work Related Illness and Injury	703 hours	1,833 hours	✅	📄
Employees w/ High Sick Leave Consumption	21	22	✅	📄
Lost Time Injury Rate	2.04	2.00	⚠️	📄

Property Maintenance Initial Response Time

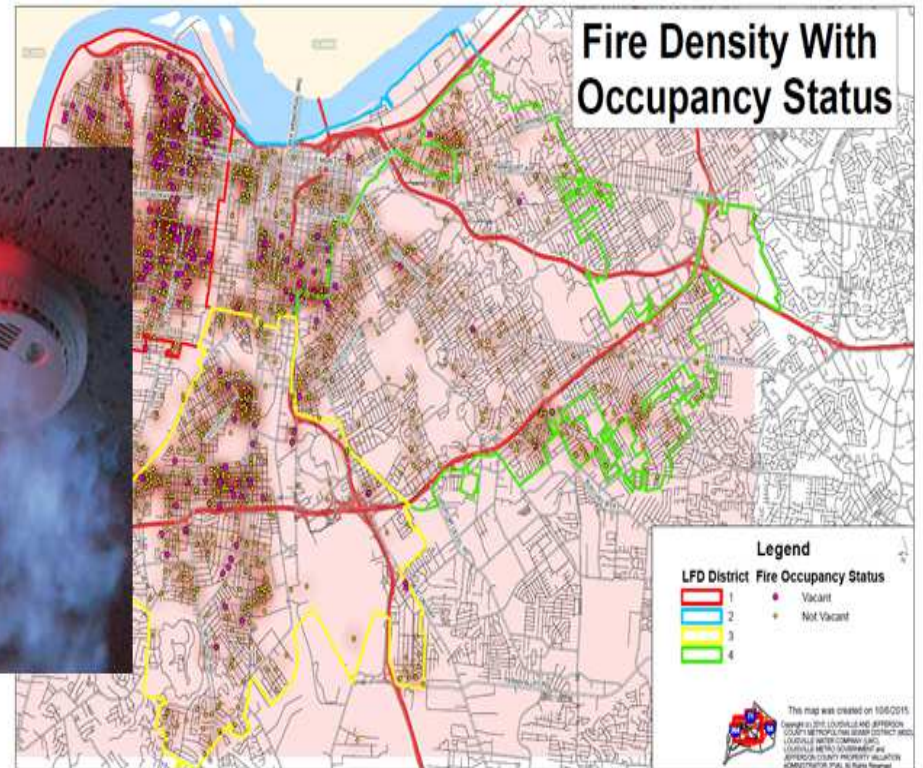
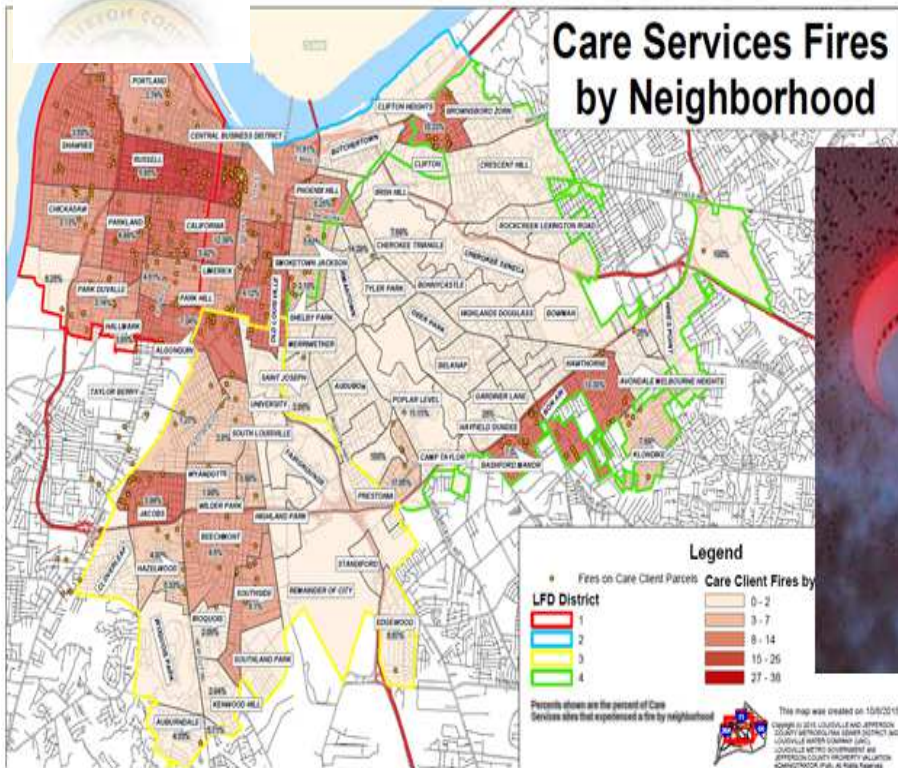


Environmental Health: % Facilities not Inspected (Food Safety and Protection)





# Improvement & Innovation Intersect



396 client addresses had a fire incident; this means nearly 22% of all fire incidents occurred in the home of a Community Services' Client

15% of all fires in the Urban Services District occurred on properties that were vacant or undergoing major renovations; 30% of fires in Fire District 1 were in VAPs

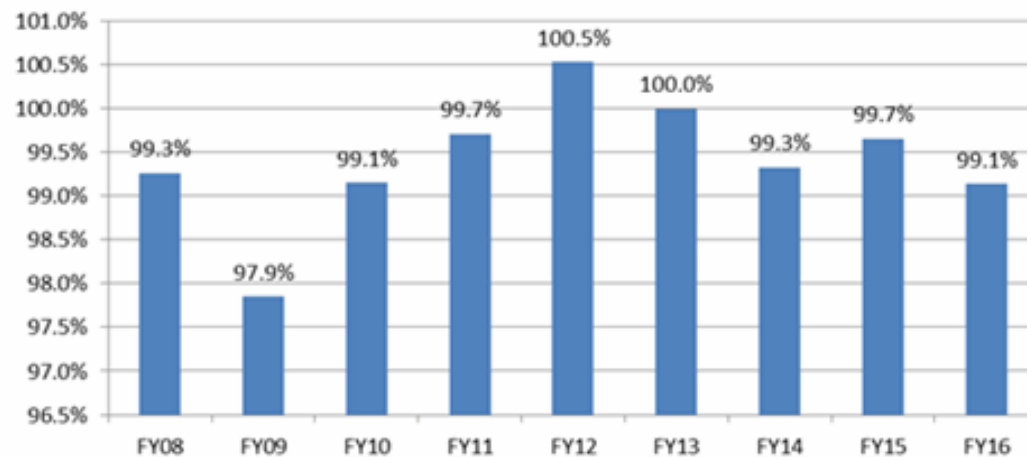




# Where We Are Now

1. Structural budget deficit largely resolved—the imbalance between revenue and expense growth has been mitigated
2. This leaves Metro in better position to address its balance sheet items—something impossible to do just 5 years ago where we had to transfer capital funds to our operating budget

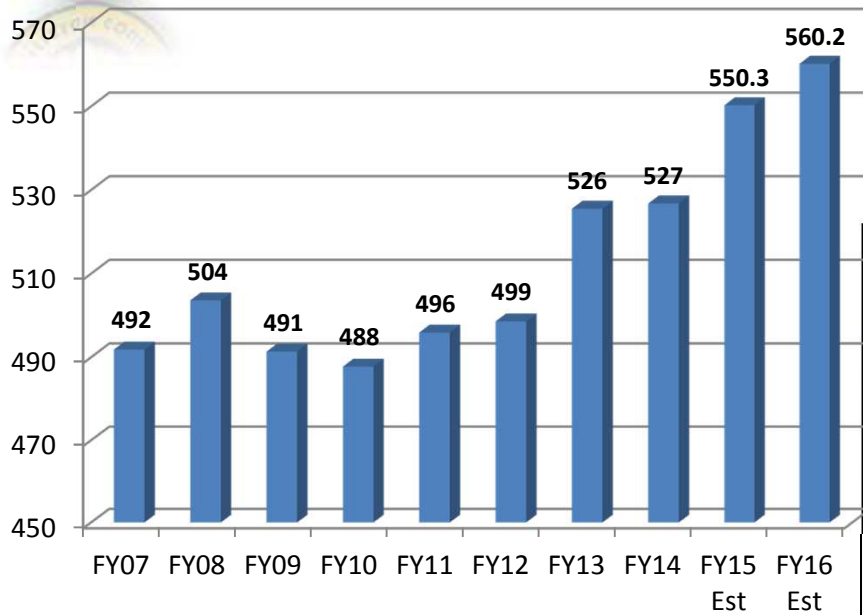
**% of Budgeted Available General Fund  
Appropriated for Operating and Debt Service  
Budgets**





## General Fund (in millions)

# Examples from FY16 Budget Presentation

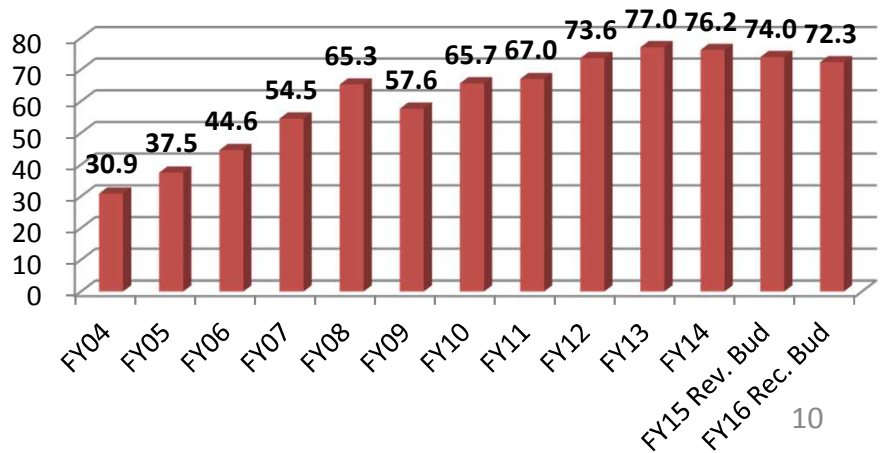


UNASSIGNED GENERAL FUND BALANCE PROJECTED ACTIVITY (In millions)		
	Amount	Note
6/30/11 Fund Balance	\$61.5	
6/30/12 Fund Balance	62.4	
6/30/13 Fund Balance	61.0	
6/30/14 Fund Balance	62.5	
Ordinance No. 102, Series 2014	0.5	FY15 Budget authorization to replenish Fund Balance
Est. 6/30/15 Fund Balance	\$63.0	
Budgeted FY16 Change	0.5	FY16 Budget proposal to replenish Fund Balance
Budgeted FY16 Fund Balance	\$63.5	

	FY15 Est.	FY16 Forecast	Growth Forecast	% Growth	*CAGR-5 %
Property	\$122,830	\$127,990	\$5,160	4.2%	0.8%
Payroll	245,680	254,050	8,370	3.4%	4.0%
Net Profits	53,820	56,510	2,690	5.0%	6.9%
Insurance	53,800	54,870	1,070	2.0%	1.5%
Water Co.	20,770	20,660	(110)	(0.5%)	2.7%
Other	53,358	46,147	(7,211)	(13.5%)	(2.9%)
<b>Total GF</b>	<b>\$550,258</b>	<b>\$560,227</b>	<b>\$9,969</b>	<b>1.8%</b>	<b>2.4%</b>

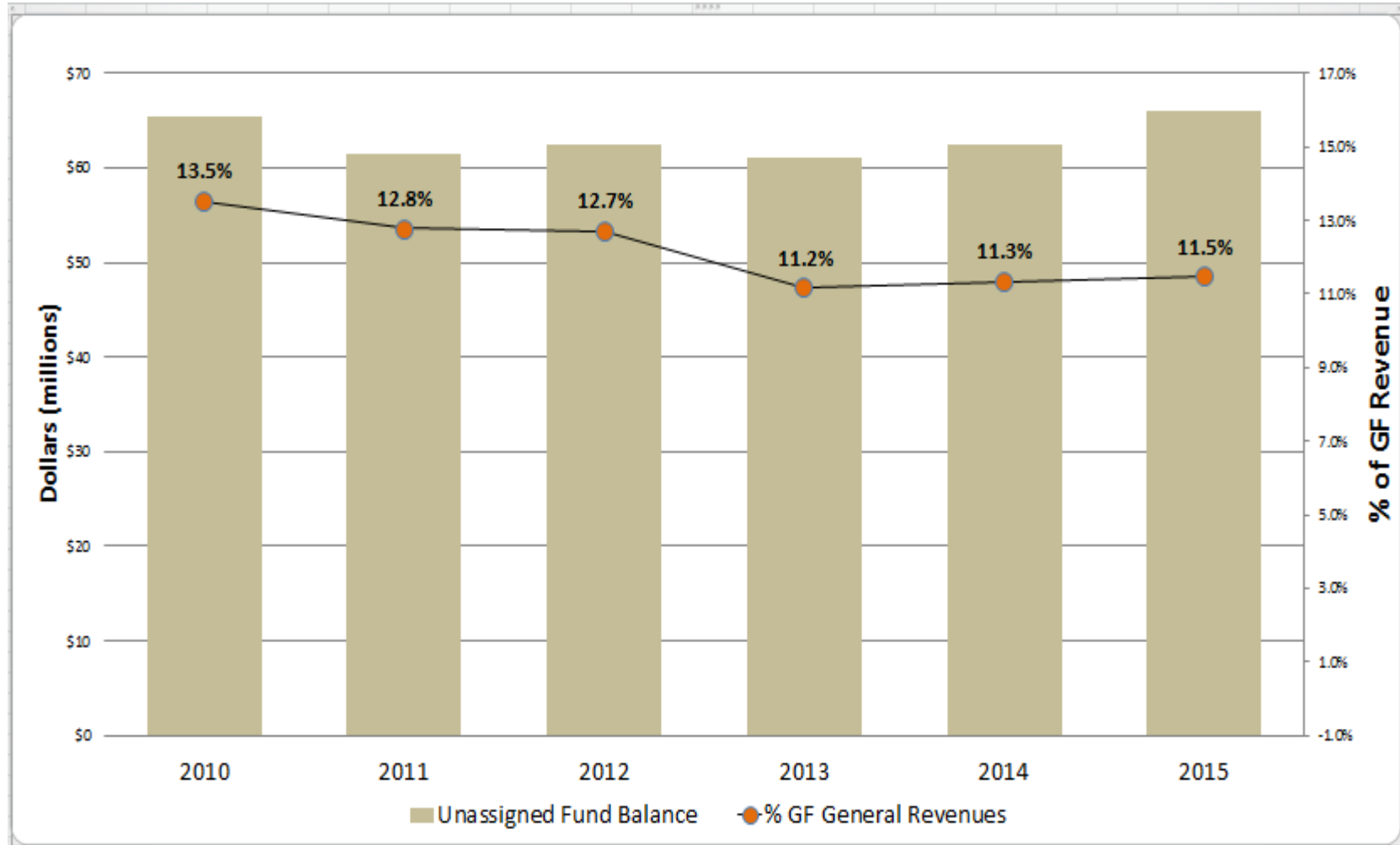
\*CAGR-5% is the Compound Average Growth Rate for the past 5 years, FY10-FY15 Est.

## Metro CERS Contribution History (in millions)





# GF Unassigned Fund Balance





# Impact of GASB Pronouncements

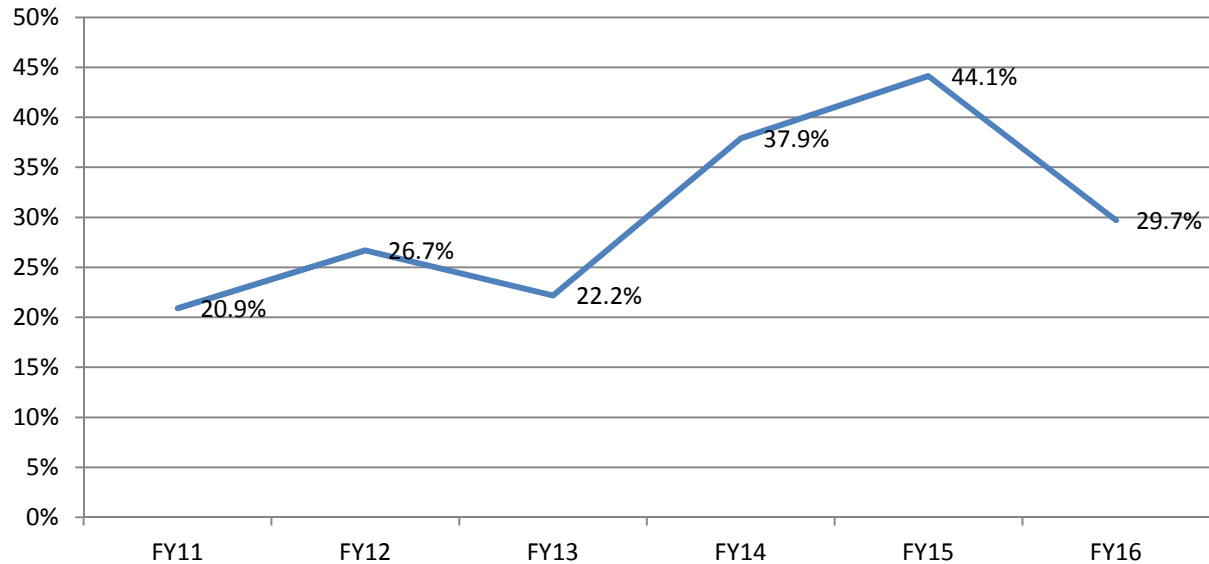
	CERS Cost-Sharing	Firefighter's Pension Fund	Policemen's Pension Fund	Total
Net Pension Liability	\$ 523,687,000	\$ 14,629,984	\$ 10,637,229	\$ 548,954,213

- **Statement #68 – Accounting and Financial Reporting for Pensions(FY15)**
- **Statement #74 – Financial Reporting for Postemployment Benefit Plans other Than Pension Plans (FY17)**
- **Statement #77 – Tax Abatement Disclosures (FY17)**



## RECOMMENDED EXECUTIVE BUDGET FY 2015-2016

### Road Funding (MAP) Historical Ratios of Capital and Operating Appropriations



### Percentage of MAP funds in capital budget

	FY11	FY12	FY13	FY14	FY15	FY16
Operating	9,463,700	10,693,700	11,641,000	9,441,000	8,541,000	8,541,000
Capital	2,502,700	3,896,300	3,319,000	5,759,700	6,749,000	3,609,000
Total	11,966,400	14,590,000	14,960,000	15,200,700	15,290,000	12,150,000



# Useful Lives of LMG Assets

- Land Indefinite
- Buildings 25-40 Years
- Infrastructure 10-40 Years
- Machinery & Equipment 3-12 Years
- Vehicles 4-20 Years
- Treasures & Works Art 5-25 Years/Indefinite



## Metro Capital Assets Net Change (In \$000's)

	FY11	FY15	Net Change	% Change
Infrastructure	921,468	972,807	51,339	5.6%
Accumulated Depreciation	840,448	890,133	49,685	5.9%
Net Book Value	81,020	82,674	1,654	2.0%
Buildings	361,635	437,556	75,921	21.0%
Accumulated Depreciation	144,398	172,387	27,989	19.4%
Net Book Value	217,237	265,169	47,932	22.1%
Total Governmental Activities	1,970,182	2,089,914	119,732	6.1%
Accumulated Depreciation	1,126,405	1,257,323	130,918	11.6%
Net Book Value	843,777	832,591	(11,186)	-1.3%

### Comparatively:

- Indianapolis experienced an overall decline of 29% with infrastructure declining 30%.
- St. Louis experienced a 1.7% overall increase with change in infrastructure decreasing 2.6%.
- Cincinnati had a 27% overall increase with infrastructure growing 28%

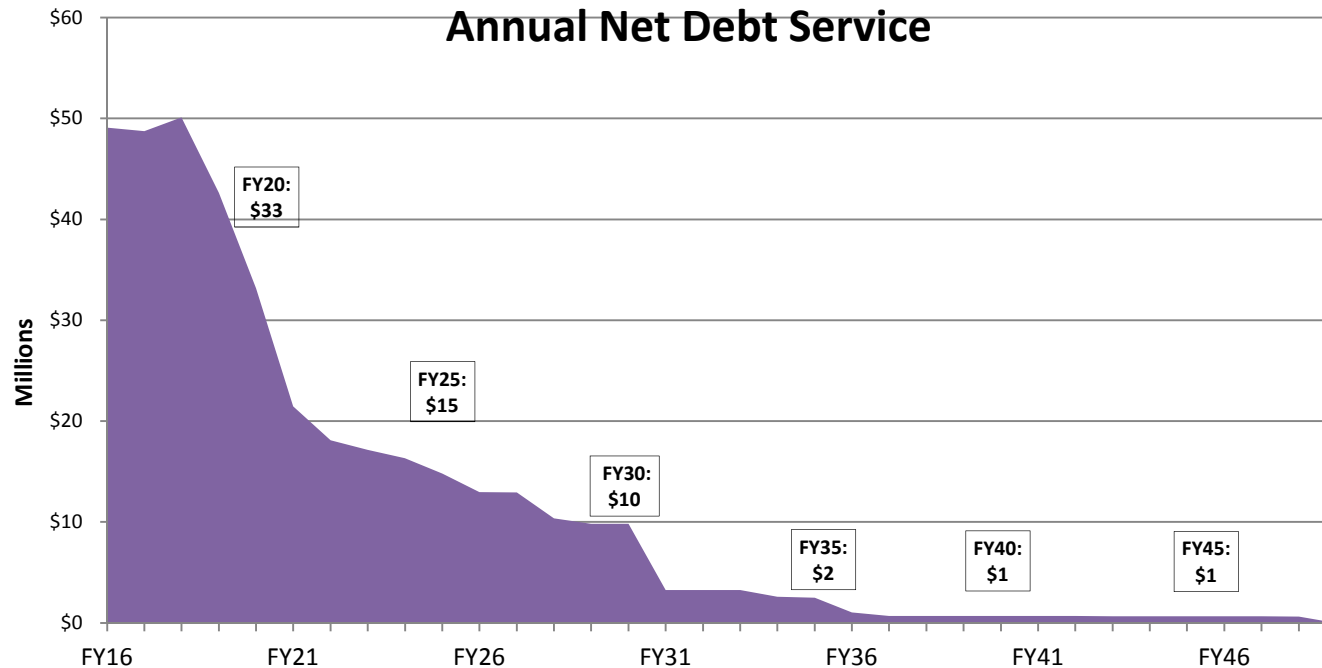


## RECOMMENDED EXECUTIVE BUDGET FY 2015-2016

# Outstanding Debt Level:

	Totals in Millions					Est. FY15	Est. FY16	*Est. FY16
	FY10	FY11	FY12	FY13	FY14			
Outstanding Debt (CAFR)	\$450	\$428	\$393	\$371	\$340	\$339	\$468	\$374
General Fund Table (Budget)	\$488	\$496	\$499	\$526	\$527	\$550	\$560	\$560
Debt as a % of General Fund:	92%	86%	79%	71%	65%	62%	84%	67%

\*Outstanding estimated debt with 10.4% of the Center City project displayed to be consistent with anticipated local debt service obligation.







# Metro Financial Strength

	Metro Louisville Bond Ratings			
	<u>Pre-Merger County</u>	<u>Pre-Merger City</u>	<u>Merger</u>	<u>Current</u>
<b>Fitch</b>	N/A	N/A	N/A	AAA
<b>S&amp;P</b>	AA	AA-	AA	AA+
<b>Moody's</b>	Aa2	Aa3	Aa2	Aa1

**“We consider the metro government’s economy to be strong. . .broad and diverse. We view the metro government’s management to be strong. . .”**

**--S&P Ratings Report for Louisville, 10/30/15**

**“The debt burden is modest, amortization is rapid. . .”**

**--Fitch Ratings Report for Louisville, 11/5/15**

**“The adopted fiscal 2016 General Fund budget is structurally balanced. . .we expect Louisville Metro’s debt profile will remain manageable in the near term. ”**

**--Moody’s Ratings Report for Louisville, 11/2/15**