BUILDING ON MOMENTUM

RECOMMENDED EXECUTIVE BUDGET FOR 2017–2018

LOUISVILLE METRO GOVERNMENT | MAYOR GREG FISCHER

Metro Budget Overview, FY18
May 9, 2017

- Introduction
- Revenue Overview
- Operating Overview
- Debt Management Overview
- Capital Overview
- Question & Answer

INTRODUCTION

Recommended Executive Budget FY2017-2018

The FY18 Budget Focuses On. . .

- Public Safety
  - Crime Fighting – 55 positions added in LMPD (44 officers and 11 civilians); prosecutor in Commonwealth Attorney's office; arraignment court prosecutor in County Attorney's office; 15 new corrections officers and 6 civilian positions
  - Crime Prevention – $1 million to the Office for Safe & Healthy Neighborhoods to expand the Cure Violence initiative; $200,000 to the Office of Addiction Services
  - Facilities upgrades: relocation of 911 Backup Center; LMPD Headquarters; and rehabilitation of Louisville Fire Headquarters

- Housing
  - $12 million to Louisville Creating Affordable Residences for Economic Success (CARES)
  - $2.5 million to the Affordable Housing Trust Fund

The FY18 Budget Focuses On. . .

- Infrastructure – Funding Prior Commitments
  - Northeast Regional Library
  - Technology – Tax System, Work Order Management, Cybersecurity
  - Recurring priorities – Streets, sidewalks, bridges, etc.; Deferred Maintenance & General Repair; Vehicles & Equipment

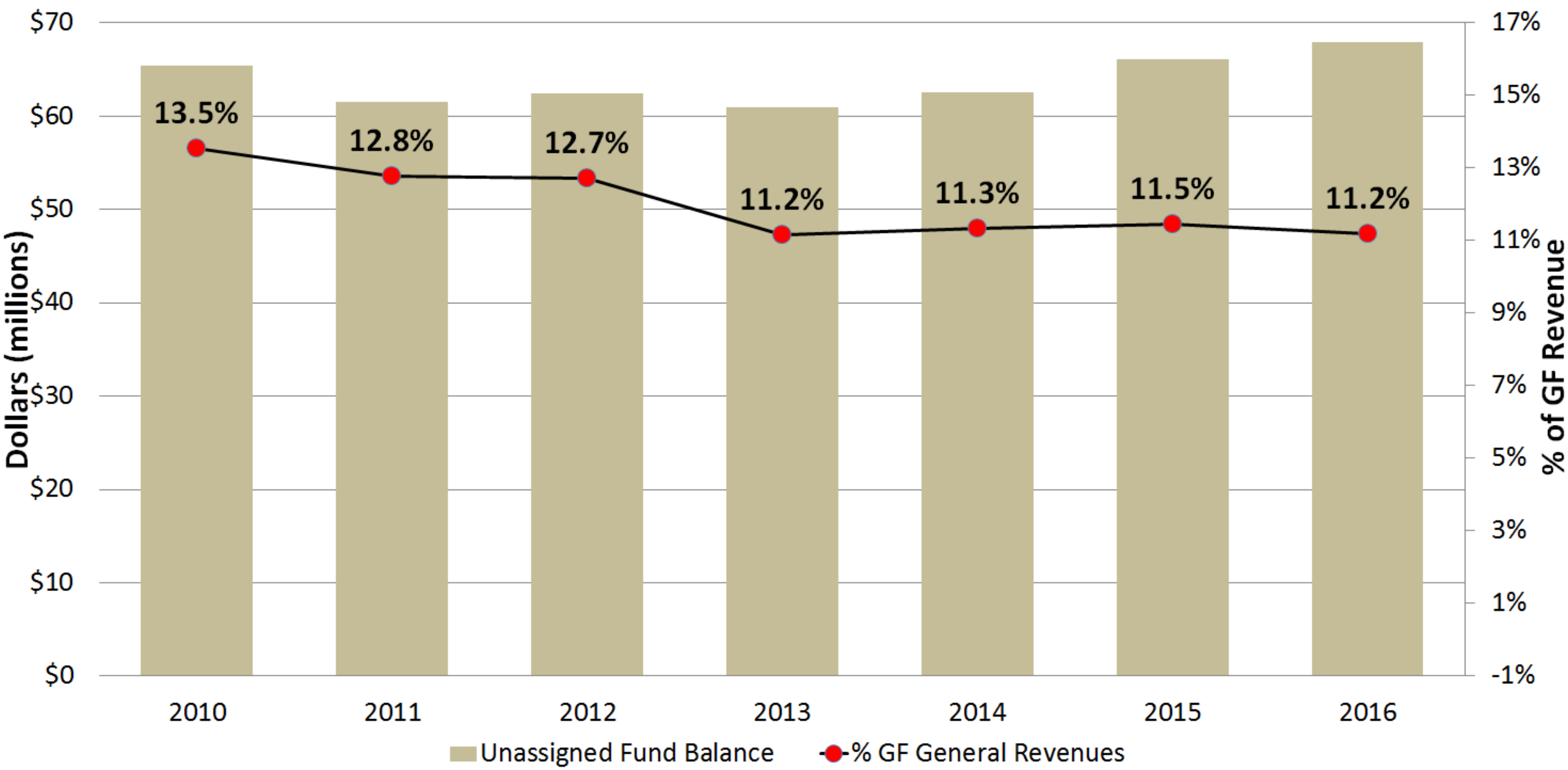
The FY18 Budget . . .

- Increases the Unassigned Fund Balance

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	
6/30/15 Fund Balance	66.1	
6/30/16 Fund Balance	67.9	
Ordinance No. 101, Series 2016	1.0	FY17 Budget authorization to replenish Fund Balance
Est. 6/30/17 Fund Balance	$68.9	
Budgeted FY18 Change	0.5	FY18 Budget proposal to increase Fund Balance
Budgeted FY18 Fund Balance	$69.4	

GF Unassigned Fund Balance



Why Budget?

"Budgets arise from <u>scarcity</u>. If resources were sufficiently available, a procedure for carefully allocating them would be unnecessary – planning in the form of budgeting would be useless."

-S. Kenneth Howard

FY18 Budget Planning Factors

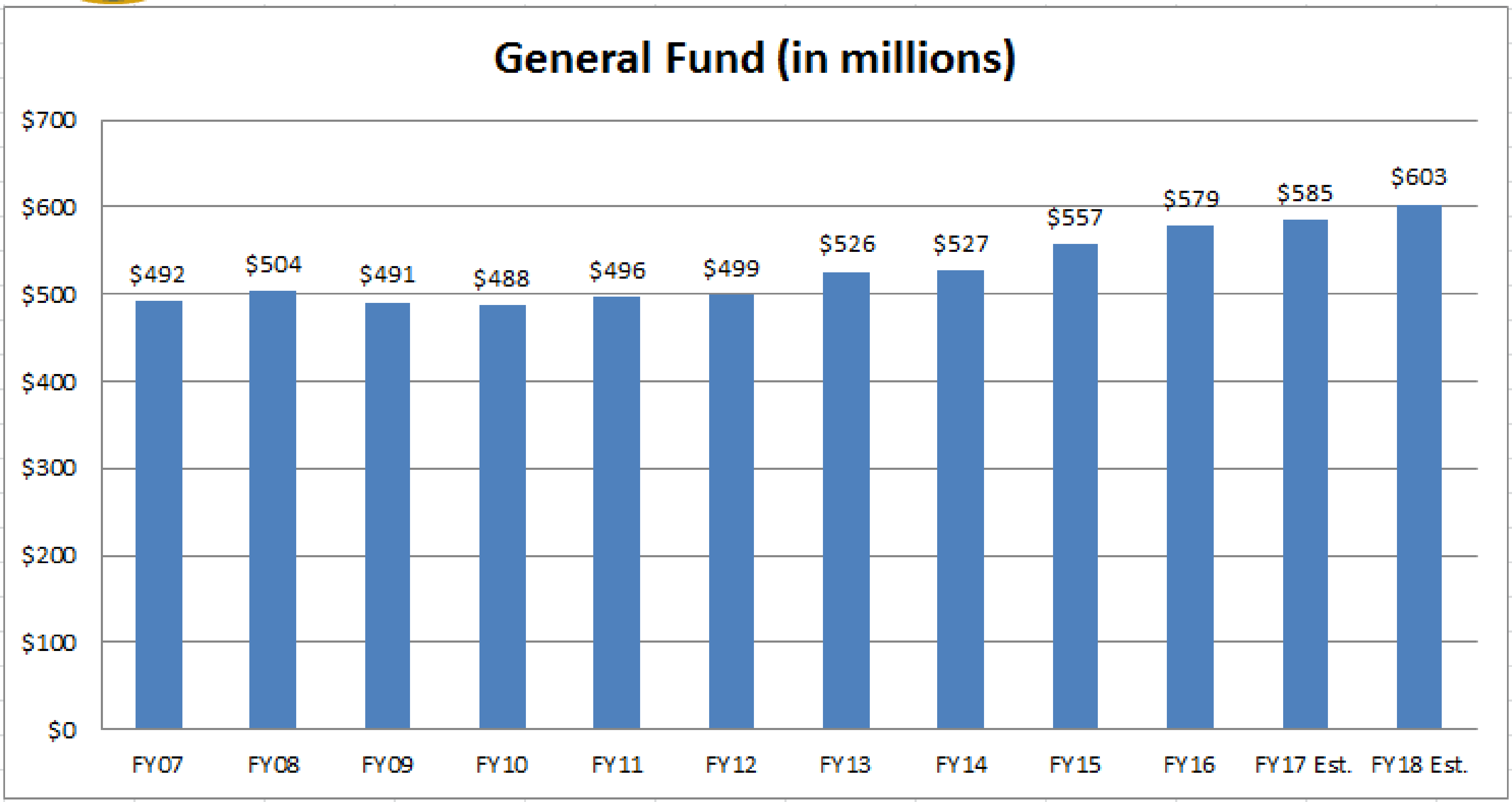
- Short-Term Factors
  - Commitments made in FY16 Year-End Ordinance
    - Additional officers in LMPD
    - Increase in non-scheduled overtime for LMPD & Corrections
    - Violence reduction initiatives in the Office for Safe and Healthy Neighborhoods

FY18 Budget Planning Factors

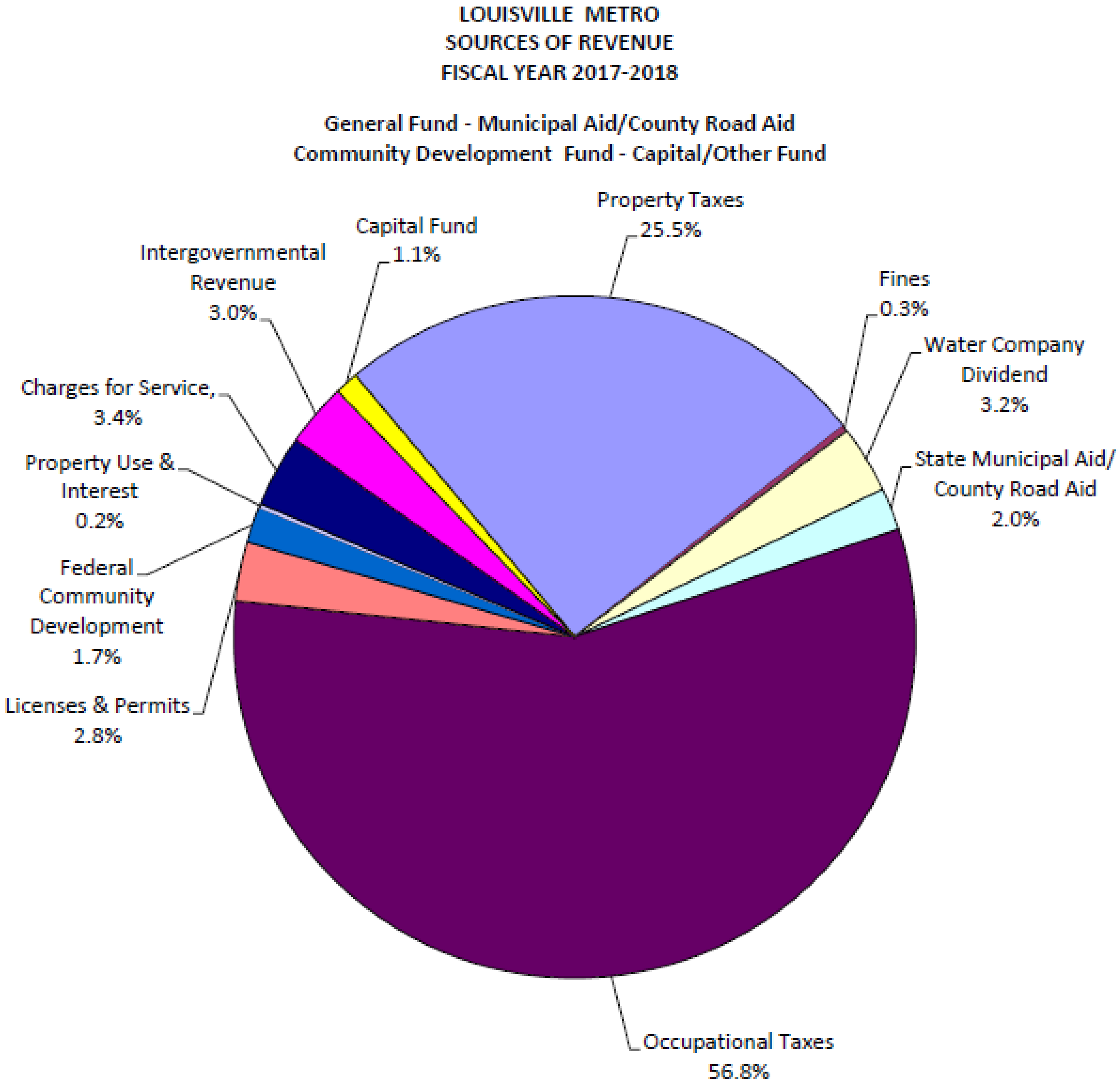
- Long-Range Factors
  - Federal budget outlook
  - Potential state pension and tax reform initiatives
  - Priority given to public safety, affordable housing, technology enhancements & deferred infrastructure maintenance

REVENUE OVERVIEW

Recommended Executive Budget FY2017-2018



Recommended Executive Budget FY2017-2018



FY18 GF Revenue (in $000s) Growth Forecast

	FY17 Est.	FY18 Forecast	Growth Forecast	% Growth	*CAGR-5 %
Property	$155,850	**$161,740**	$5,890	3.8%	2.9%
Payroll	269,860	**280,870**	11,010	4.1%	4.5%
Net Profits	64,430	**67,820**	3,390	5.3%	7.7%
Insurance	57,820	**58,270**	450	0.8%	3.5%
Water Co.	19,821	**20,290**	469	2.4%	1.0%
Other	17,084	**14,035**	(3,049)	(17.8%)	(13.4%)
Total GF	$584,865	**$603,025**	$18,160	3.1%	3.2%

***CAGR-5% is the Compound Average Growth Rate for the past 5 years, FY12-FY17 Est.**

Recommended Executive Budget FY2017-2018

Requested Quarterly Revenue Spread

	Q1	Q2	Q3	Q4	FY18 TOTAL
Employee Withholdings	68,950,000	66,700,000	74,830,000	70,390,000	280,870,000
Net Profits	10,370,000	10,630,000	11,810,000	35,010,000	67,820,000
Insurance Premiums	14,610,000	14,610,000	14,040,000	15,010,000	58,270,000
Water Co. Dividend	5,210,000	5,210,000	4,940,000	4,930,000	20,290,000
1 Real & Personal Property	1%	96%		3%	138,780,000
2 All Other	25%	25%	25%	25%	36,995,100
TOTAL:					**603,025,100**

1 As the Council is aware, Real & Personal Property taxes are due by 12/31 of each year, leading to large swings in the amount of revenue recorded in each quarter, but overall approximately 96% of this line item is received during Q2 & Q3. This is demonstrated by a review of the last seven fiscal years' receipts (in millions):

	Q2	Q3	Q2 & Q3
FY11	75.6	35.7	111.3
FY12	52.5	59.2	111.7
FY13	80.2	33.4	113.6
FY14	44.4	70.4	114.8
FY15	49.7	67.1	116.8
FY16	56.1	67.2	123.3
FY17	59.0	69.3	128.3

% Change from Prior Year

	Q2	Q3	Q2 & Q3
FY12	(30.6%)	65.8%	0.4%
FY13	52.8%	(43.6%)	1.7%
FY14	(44.6%)	110.7%	1.1%
FY15	12.0%	(4.7%)	1.8%
FY16	12.8%	0.2%	5.6%
FY17	5.2%	3.1%	4.0%

2 The remaining line items are not forecasted on a quarterly basis, but have been evenly divided, per the Council's request.

Recommended Executive Budget FY2017-2018

Requested Quarterly Revenue Spread

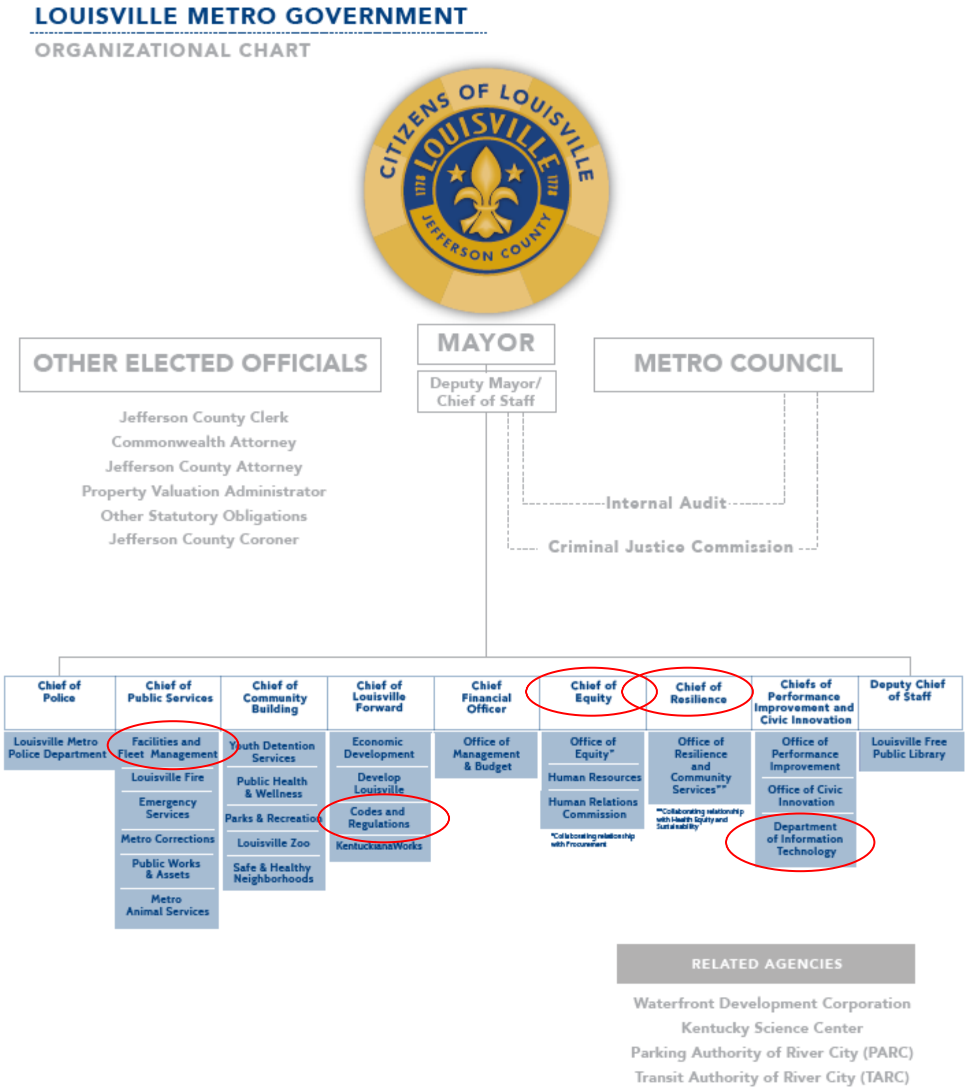
	Q1	Q2	Q3	Q4	FY18 TOTAL
Employee Withholdings	$68,950,000	$66,700,000	$74,830,000	$70,390,000	$280,870,000
Net Profits	10,370,000	10,630,000	11,810,000	35,010,000	67,820,000
Insurance Premiums	14,610,000	14,610,000	14,040,000	15,010,000	58,270,000
Water Co. Dividend	5,210,000	5,210,000	4,940,000	4,930,000	20,290,000
Real & Personal Property	1,390,000	65,920,000	65,920,000	5,550,000	138,780,000
All Other	9,250,000	9,250,000	9,250,000	9,245,100	36,995,100
TOTAL:	**$109,780,000**	**$172,320,000**	**$180,790,000**	**$140,135,100**	**$603,025,100**

	Q1 YTD	Q2 YTD	Q3 YTD	FY18 TOTAL
Employee Withholdings	$68,950,000	$135,650,000	$210,480,000	$280,870,000
Net Profits	10,370,000	21,000,000	32,810,000	67,820,000
Insurance Premiums	14,610,000	29,220,000	43,260,000	58,270,000
Water Co. Dividend	5,210,000	10,420,000	15,360,000	20,290,000
Real & Personal Property	1,390,000	67,310,000	133,230,000	138,780,000
All Other	9,250,000	18,500,000	27,750,000	36,995,100
TOTAL:	**$109,780,000**	**$282,100,000**	**$462,890,000**	**$603,025,100**

QUESTION AND ANSWER

OPERATING OVERVIEW

Organizational Changes



1) Facilities and Fleet Management

2) Codes and Regulations

3) Chief of Equity – Human Resources

4) Chief of Resilience – Community Services

5) DoIT

Budget Balancing Mechanisms

- Fee increases
  - $100 increase to local restaurant inspection fee
  - $.01 increase/sq. ft. to non-residential property inspection fee
- Anticipated attrition
- Operating reductions in office supplies, cell phones, and travel
- Non-Recurring funding sources:

Capital: $3.38 Million Total	Operating: $3.31 Million Total
$1.40 million – Surplus vehicle sales	$1.44 million – Anticipated surplus FY17 revenue
$600,000 – CCRF per Ord. 119, Series 2012, Part I, Section K	$1.87 million – QCCT
$595,000 – Lapsed projects	
$414,000 – Property sales	
$370,000 – Anticipated surplus capital interest	

Metro Budget by Category

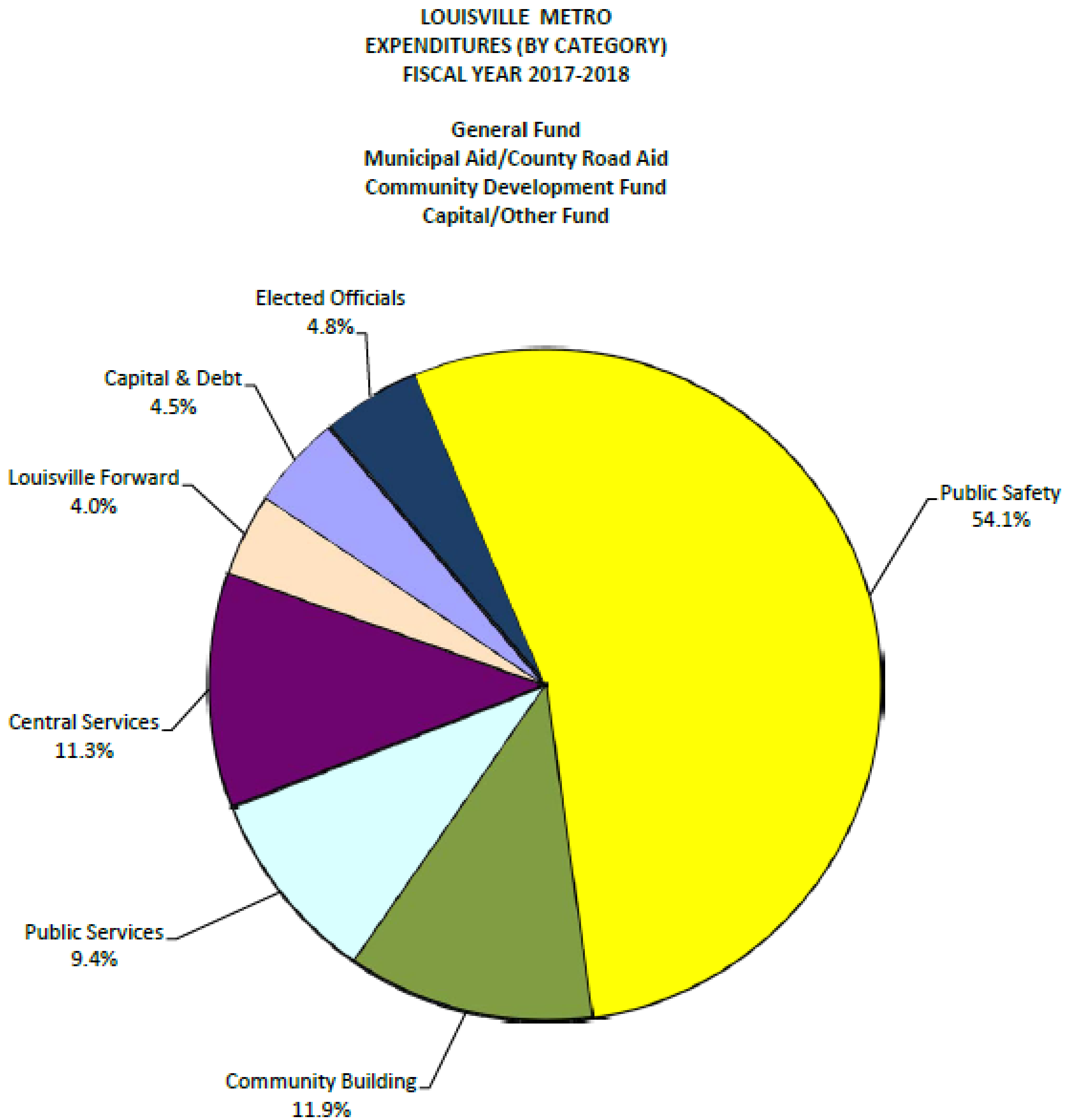
Total Budget for All Funds

	FY18	FY17 Original Budget
Operating	$730,913,900	$707,193,200
Capital	101,344,100	107,847,800
Debt Service	7,204,600	7,458,800
Total	$839,462,600	$822,499,800

Changes from FY17 Original Budget to FY18:

Operating	$23,720,700	3.4%
Capital	($6,503,700)	(6.0%)
Debt Sevice	(254,200)	(3.4%)
Total	$16,962,800	2.1%

Recommended Executive Budget FY2017-2018



Arena Authority Funding

Payments from Louisville Metro to the Arena Authority

FY11	$	6,533,333
FY12	$	6,533,333
FY13	$	9,799,933
FY14	$	9,800,000
FY15	$	9,800,000
FY16	$	9,800,000
FY17	$	9,800,000
FY18 Proposed	$	9,800,000
Total	**$**	**71,866,599**
Rebates from the Arena Authority to Louisville Metro		
FY11	**$**	**3,236,689**

The funding source for each payment to the Arena Authority was the General Fund.
The governing document is Ordinance No. 143, Series 2007 (attached).

FY18 Budget - Metro Strategic Plan Alignment

Metro Objectives	#	Metro Goals
Deliver Excellent City Services	1	Improve Multi-Modal Transportation and Community Streetscapes
	2	Enhance EMS Service Delivery in Order to Address the Entire Spectrum of 911 Patients' Needs
	3	Reduce Crime by 3% and Rank in Top Quartile of Safest Large Cities
	4	Improve Citizen Interaction and Transparency
	5	Deliver Better Fire Protection

Highlights by Strategic Goal

Goal #1: Improve Multi-Modal Transportation and Community Streetscapes

- $27.8M in Public Works & Assets for improvements to Metro's streets, bicycle infrastructure, sidewalks, bridges and cross drains, guardrails, and general street safety

Highlights by Strategic Goal

Goal #2: Enhance EMS Service Delivery in Order to Address the Entire Spectrum of 911 Patients' needs

- $1.25M for vehicles/equipment for Fire/EMS first responders
- $1.5M to relocate the Backup 911 Center from the Urban Government Center Campus

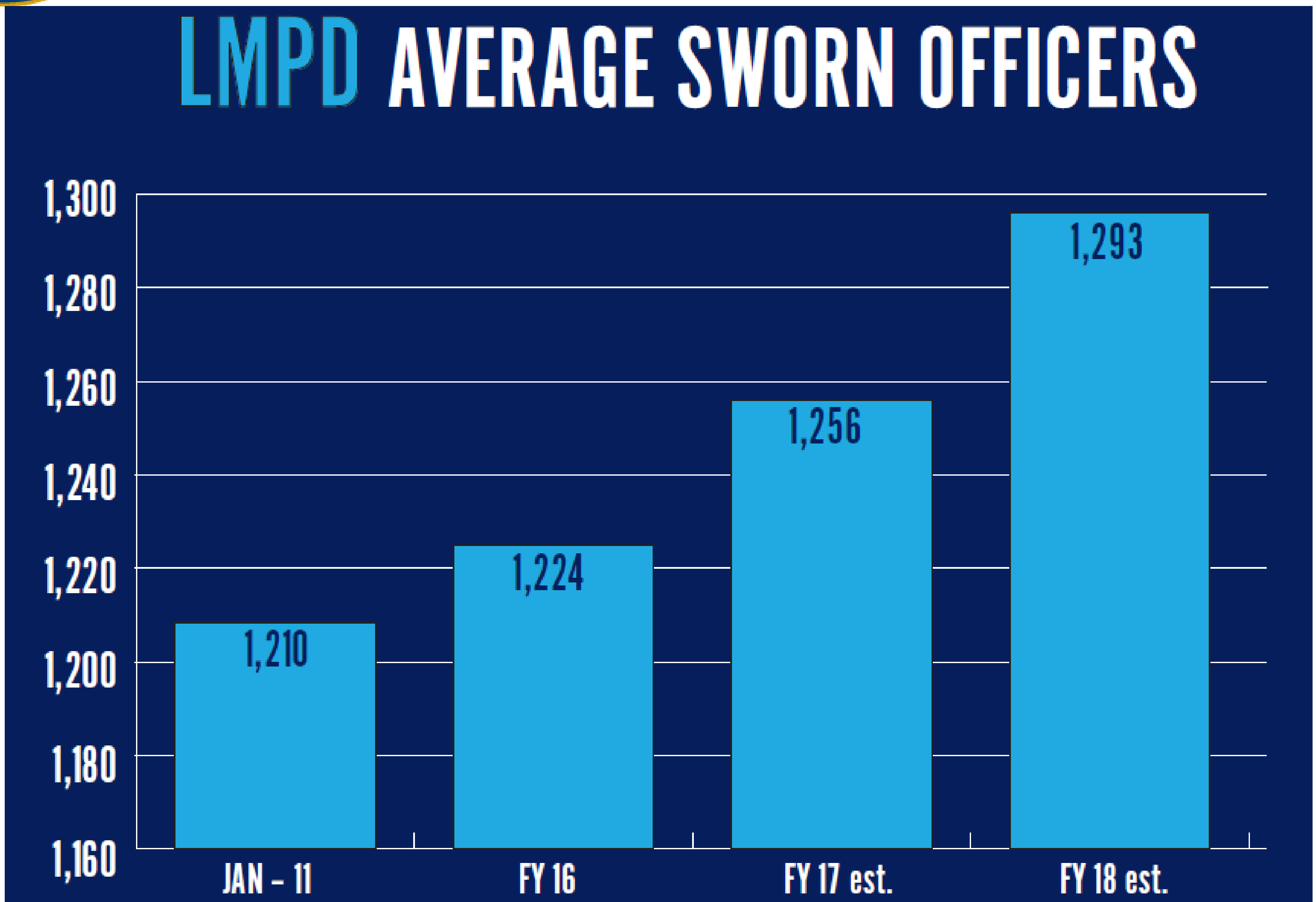
Recommended Executive Budget FY2017-2018

Highlights by Strategic Goal

Goal #3: Reduce Crime by 3% and Rank in Top Quartile of Safest Large Cities

- 55 positions added in LMPD (44 officers and 11 civilians), and funding for 112 recruits to fill expected openings to bring the average officer strength to 1,293

Highlights by Strategic Goal



Highlights by Strategic Goal

Goal #3: Reduce Crime by 3% and Rank in Top Quartile of Safest Large Cities

- Civilian positions include: Real Time Crime Center supervisor (1) and analyst (1); crime scene unit technicians (5); crime analysts (2); and forensics firearm examiners (2)
- $2.25M for vehicles/equipment for Police
- $1M to the Office for Safe and Healthy Neighborhoods to expand the Cure Violence Initiative

Highlights by Strategic Goal

Goal #4: Improve Citizen Interaction and Transparency

- $5.4M for Kentucky Wired to install 96 route miles of high-speed fiber
- $2.4M to complete new work order management system
- $835K to enhance network infrastructure and continue CyberSecurity improvements
- $7.6M to complete new tax collection system

Highlights by Strategic Goal

Goal #5: Deliver Better Fire Protection

- $1.5M to renovate the Louisville Fire Headquarters in Russell
- $1.25M for vehicles/equipment for Fire/EMS first responders (mentioned under Goal #2)
- $700K for deferred maintenance at various firehouses

FY18 Budget – Metro Strategic Plan Alignment

Metro Objectives		Metro Goals
Ensure Fiscal Integrity	6	Enact Comprehensive Financial Management

FY18 Budget – Metro Strategic Plan Alignment

Metro Objectives		Metro Goals
Take Job Creation To The Next Level	7	Create Jobs
	8	Increase Educational Attainment
	9	Improve Wages
	10	Promote Our Local Food Economy

Highlights by Strategic Goal

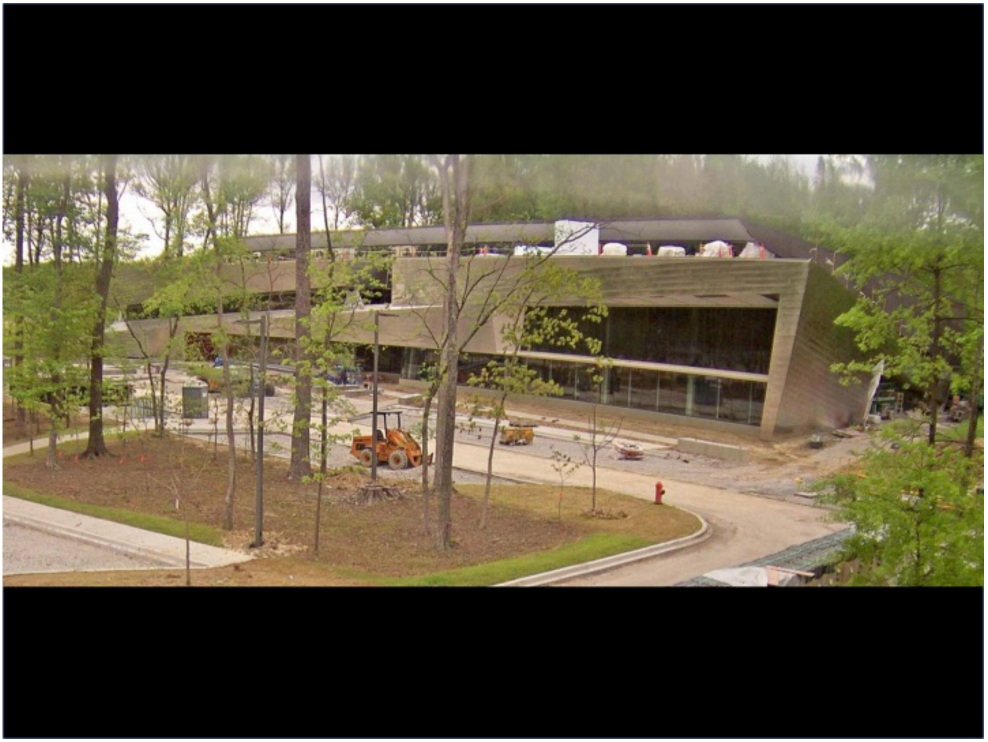
Goal #7: Create Jobs

- $750K for the Develop Louisville Fund to support private development efforts and job creation with a commitment to the Russell Neighborhood
- $600K for the KentuckianaWorks summer jobs initiative

Goal #8: Increase Educational Attainment

- $9.5M to the Louisville Free Public Library to begin construction of the new Northeast Regional Library
- Operational funding for the South Central Regional Library scheduled to open in early 2017

Highlights by Strategic Goal



South Central Regional Library

Northeast Regional Library

FY18 Budget – Metro Strategic Plan Alignment

Metro Objectives		Metro Goals
Invest In Our People & Neighborhoods	11	Revitalize Our Parks and Enhance Recreational Opportunities
	12	Increase and Preserve Affordable Housing Choices throughout Louisville Metro
	13	Help Our Citizens Get Healthy
	14	Build Opportunities for the Arts and Creative Industries
	15	Increase Inclusion and Create Equity
	16	Decrease Abandoned Structures

Highlights by Strategic Goal

Goal #11: Revitalize Our Parks and Enhance Recreational Opportunities

- $1.7M for deferred maintenance and general repair across the park system
- $275K for Tyler Park Master Plan Implementation
- $125K for Joe Creason Walking Path
- $100K for Shawnee Park Boat Ramp
- $250K to achieve ownership of Quail Chase golf course

Highlights by Strategic Goal

Goal #12: Develop and Preserve Affordable Housing

- $12M in funding to Louisville CARES
- $2.5M in funding to the Affordable Housing Trust Fund
- $2.1M for Home Repair
- $1.9M HOME federal funding

Highlights by Strategic Goal

Goal #13: Help Our Citizens Get Healthy

- $200K to expand the Office of Addiction Services

Goal #14: Build Opportunities for the Arts and Creative Industries

- $500K for an ‘Arts, Cultural Assets and Parks’ Fund to support external agencies
- $100K to implement the community arts master plan

Goal #15: Increase Inclusion and Create Equity

- $500K to KentuckianaWorks to continue the federal Right Turn grants

Recommended Executive Budget FY2017-2018

FY18 Budget - Metro Strategic Plan Alignment

Metro Objectives		Metro Goals
Create Plans For A Vibrant Future	17	Plan for Our future
	18	Increase Diversion: Reduce, Reuse, Recycle
	19	Foster a Culture of Creativity and Innovation
	20	Create a More Sustainable Louisville
	21	Grow as a Compassionate City

Recommended Executive Budget FY2017-2018

Highlights by Strategic Goal

Goal #17: Plan for Our Future

- Funding to support planned investments such as Paristown Pointe and the Russell Choice Neighborhood Infrastructure projects

Goal #18: Increase Diversion: Reduce, Reuse, Recycle

- Continued funding for the Clean and Bright program managed by Codes and Regulations

Goal #19: Foster a Culture of Creativity and Innovation

- Continued funding for the Cultural Pass program

Highlights by Strategic Goal

Goal #20: Create a More Sustainable Louisville

- $600K for tree planting to increase Metro's tree canopy

Goal #21: Grow as a Compassionate City

- $100K to support Dare to Care

Recommended Executive Budget FY2017-2018

Personnel

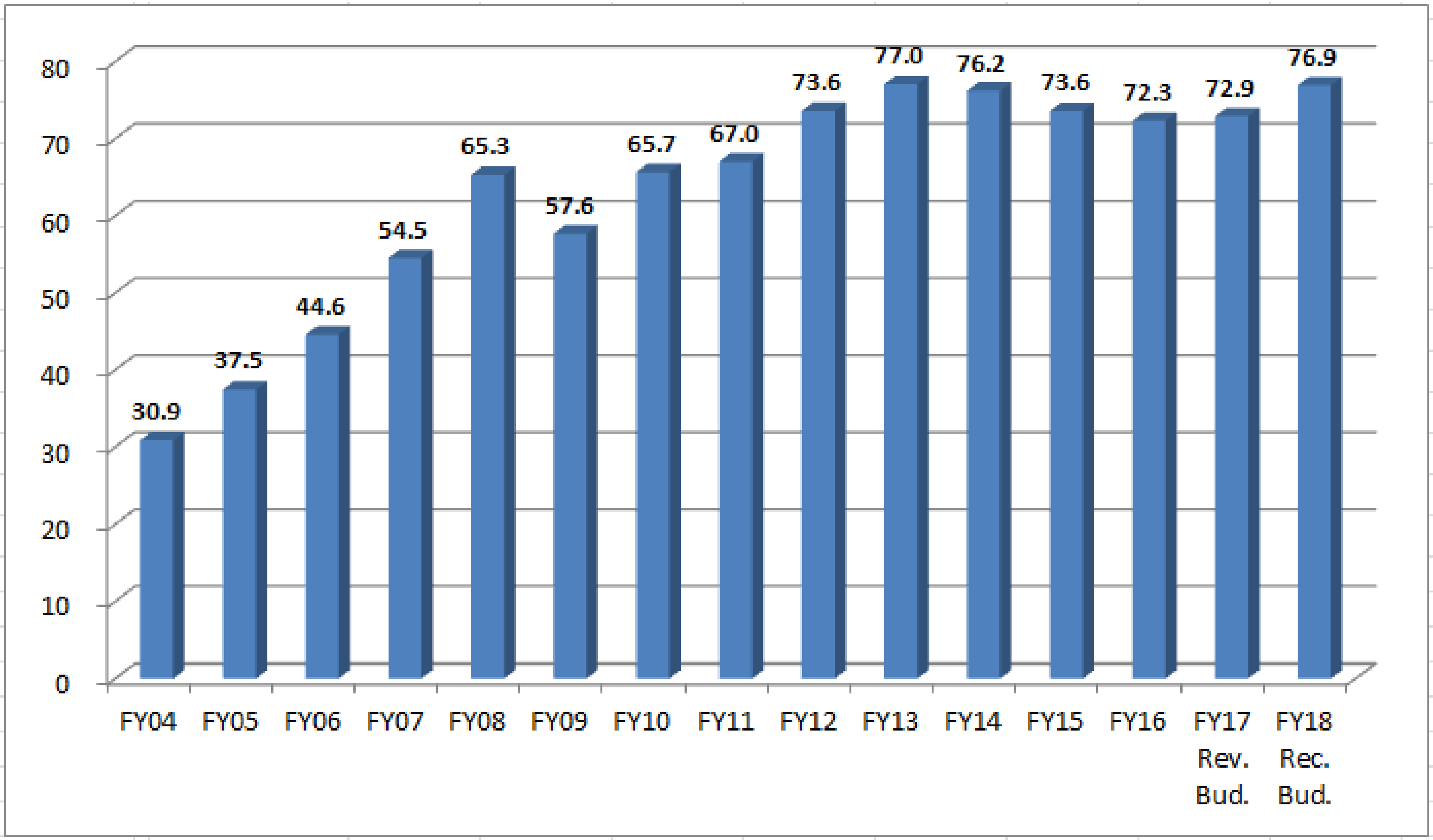
Filled Position Comparison				
	Full-Time	Part-Time	Other	Total
4/1/2017	5,584	285	190	6,059
4/1/2012	5,456	379	226	6,061
Net	**128**	**(94)**	**(36)**	**(2)**

- Increase of 128 full-time positions due primarily to 103 filled positions in LMPD and 23 filled positions in Fire
- 48 vacant positions have had no expenses associated with them since 7/1/16 and have therefore not been budgeted—funding would required approximately $2.4 million

CERS Rate History:

Hazardous Duty				Non-Hazardous Duty			
Year	Rate	% Change from Prior Year	Cumulative % Change since FY03-04	Year	Rate	% Change from Prior Year	Cumulative % Change since FY03-04
FY 2003-04	18.51	13.7%		FY 2003-04	7.34	15.8%	
FY 2004-05	22.08	19.3%	19%	FY 2004-05	8.48	15.5%	16%
FY 2005-06	25.01	13.3%	35%	FY 2005-06	10.98	29.5%	50%
FY 2006-07	28.21	12.8%	52%	FY 2006-07	13.19	20.1%	80%
FY 2007-08	33.87	20.1%	83%	FY 2007-08	16.17	22.6%	120%
FY 2008-09	29.50	(12.9%)	59%	FY 2008-09	13.50	(16.5%)	84%
FY 2009-10	32.97	11.8%	78%	FY 2009-10	16.16	19.7%	120%
FY 2010-11	33.25	0.8%	80%	FY 2010-11	16.93	4.8%	131%
FY 2011-12	35.76	7.5%	93%	FY 2011-12	18.96	12.0%	158%
FY 2012-13	37.60	5.1%	103%	FY 2012-13	19.55	3.1%	166%
FY 2013-14	35.70	(5.1%)	93%	FY 2013-14	18.89	(3.4%)	157%
FY 2014-15	34.31	(3.9%)	85%	FY 2014-15	17.67	(6.5%)	141%
FY 2015-16	32.95	(4.0%)	78%	FY 2015-16	17.06	(3.5%)	132%
FY 2016-17	31.06	(5.7%)	68%	FY 2016-17	18.68	9.5%	154%
FY 2017-18	**31.55**	**1.6%**	**70%**	**FY 2017-18**	**19.18**	**2.7%**	**161%**

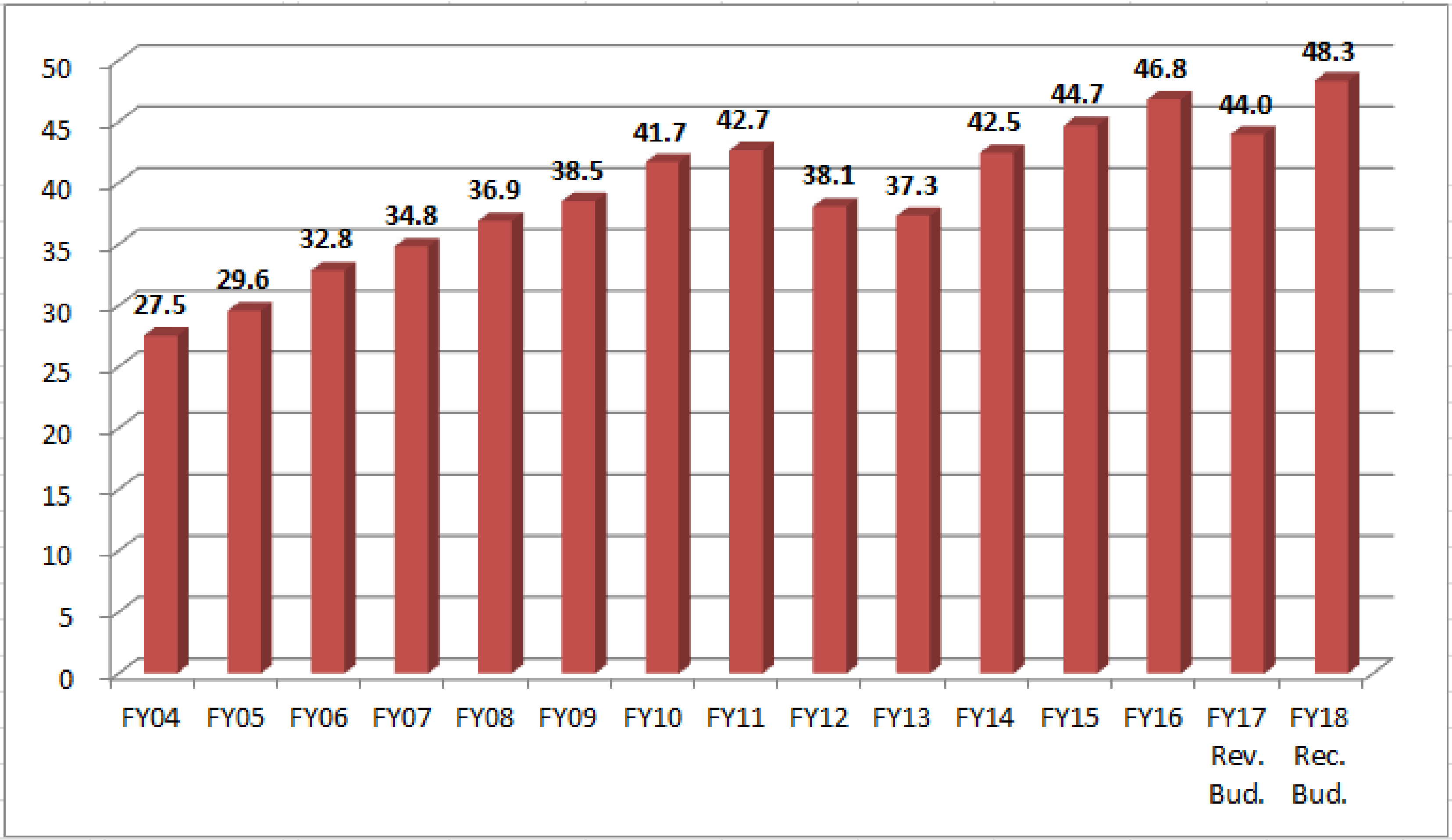
Metro CERS Contribution History (in millions)



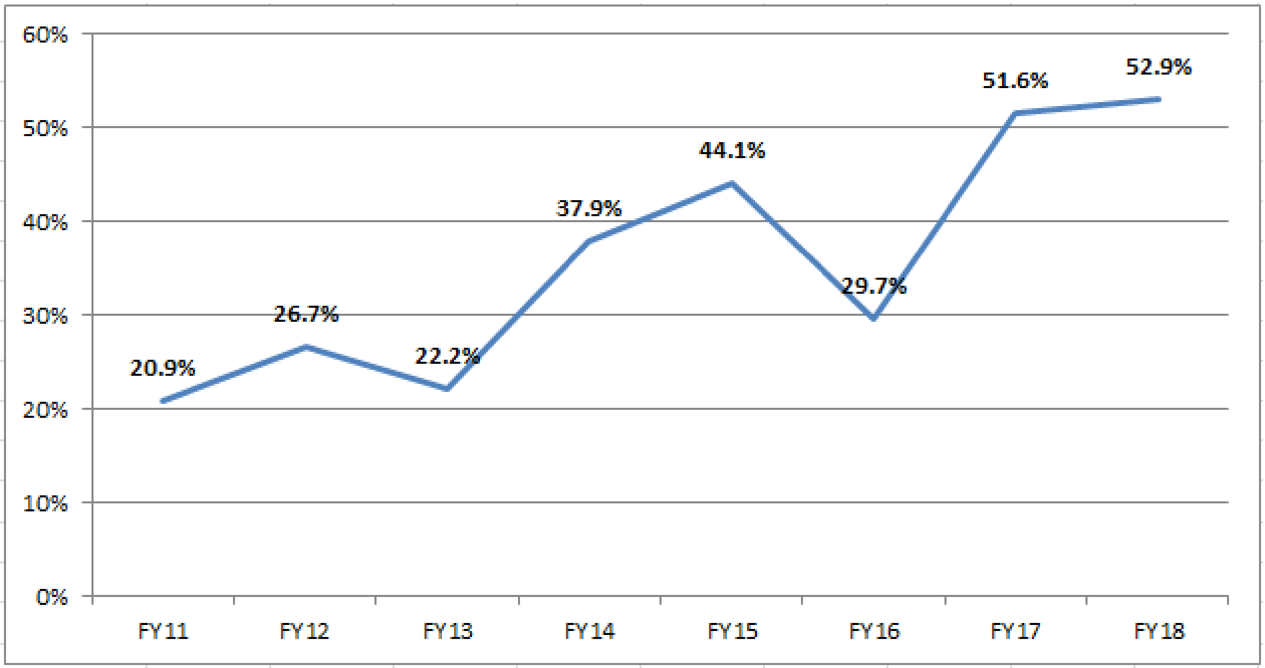
Recommended Executive Budget FY2017-2018

Metro Health Insurance Costs

(All Funding Sources/in millions)



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



	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Operating	$ 9,463,700	$ 10,693,700	$ 11,641,000	$ 9,441,000	$ 8,541,000	$ 8,541,000	$ 6,000,000	$ 6,000,000
Capital	2,502,700	3,896,300	3,319,000	5,759,700	6,749,000	3,609,000	6,400,000	6,750,000
Total	$ 11,966,400	$ 14,590,000	$ 14,960,000	$ 15,200,700	$ 15,290,000	$ 12,150,000	$ 12,400,000	$ 12,750,000

QUESTION AND ANSWER

DEBT MANAGEMENT OVERVIEW

Recommended Executive Budget FY2017-2018

FY18 Debt Service Paid by the Revenue Commission

Issue	Gross Debt Service	External Source of Debt Service	Net Debt Service	Budgeted Amount
2009A	785,235	-	785,235	785,300
2009B	3,786,350	-	3,786,350	3,786,400
2009C	1,746,300	-	1,746,300	1,746,300
2009E	5,175,850	-	5,175,850	5,175,900
2009F	3,245,353	1,495,760	1,749,592	1,749,600
2010A	4,348,100	-	4,348,100	4,348,100
2010C	733,199	237,468	495,732	495,800
2010D	3,832,363	2,270,000	1,562,363	1,562,400
2010E	680,163	-	680,163	680,200
2013A	671,769	-	671,769	671,800
2013B	1,826,636	-	1,826,636	1,826,700
2013D	709,250	-	709,250	709,300
2014A	412,633	-	412,633	412,700
2014B	1,022,483	-	1,022,483	1,022,500
2014D	746,400	-	746,400	746,400
2014E	4,413,875	-	4,413,875	4,413,900
2014F	2,331,750	-	2,331,750	2,331,800
2015A	7,974,800	460,000	7,514,800	7,514,800
2015B	689,753	-	689,753	689,800
2015B Ctr City	361,591	-	361,591	361,600
2016A	3,100,650	-	3,100,650	3,100,700
2016B	-	-	-	-
2017A	3,192,538	207,390	2,985,148	2,985,200
2017B	565,344	-	565,344	565,400
SUBTOTAL:	$52,352,383	$4,670,618	$47,681,766	$47,682,600
FY18 TOTAL:	$63,946,962	$9,060,605	$54,886,357	$54,887,200

FY18 DEBT SERVICE

FY18 Debt Service Paid by the Office of Management & Budget				
Issue	Gross Debt Service	External Source of Debt Service	Net Debt Service	Budgeted Amount
1992A	7,115,000	-	$7,115,000	$7,115,000
2007A	4,479,579	4,389,987	89,592	89,600
SUBTOTAL:	**$11,594,579**	**$4,389,987**	**$7,204,592**	**$7,204,600**

Outstanding Debt Level:

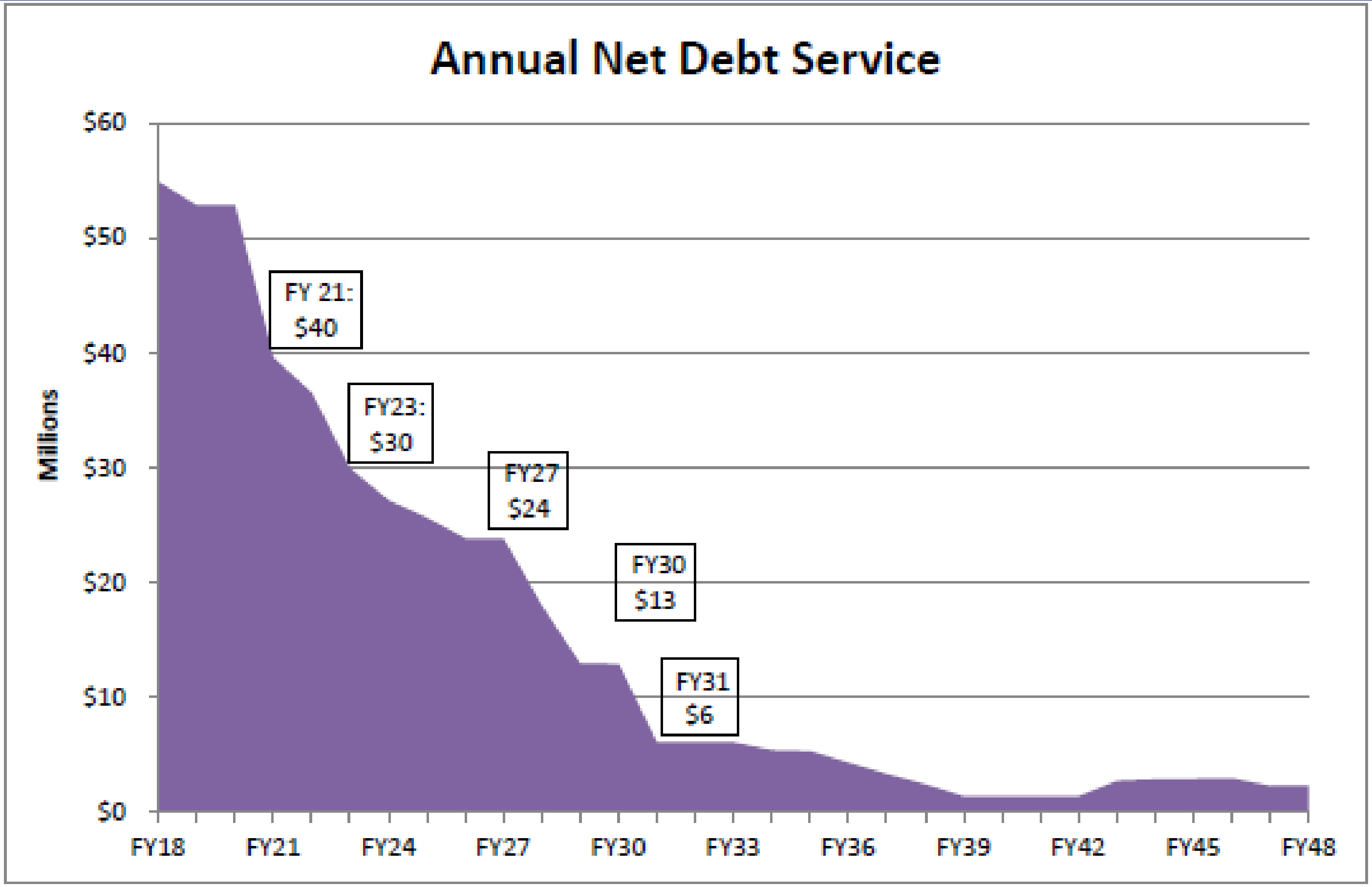
	FY10	FY11	FY12	FY13	FY14	FY15	FY16	Est. FY17	Est FY18	*Est FY18
	Totals in Millions									
Outstanding Debt (CAFR)	$450	$428	$393	$371	$340	$331	$468	$489	$517	$419
General Fund Table (Budget)	$488	$496	$499	$526	$527	$557	$579	$585	$603	$603
Debt as a % of General Fund:	92%	86%	79%	71%	65%	59%	81%	84%	86%	69%

*Outstanding estimated debt with 17% of the Center City project displayed to be consistent with anticipated local debt service obligation.

Recommended Executive Budget FY2017-2018

LONG-TERM DEBT SERVICE

DEBT SERVICE FY18 through FY48



Metro Financial Strength

Metro Louisville Bond Ratings

	Pre-Merger County	Pre-Merger City	Merger	Current
Fitch	N/A	N/A	N/A	AAA
S&P	AA	AA-	AA	AA+
Moody's	Aa2	Aa3	Aa2	Aa1

"We view the city's management as strong, with good financial policies and practices…"

--S&P Ratings Report for Louisville, 8/31/16

"The metro government has exceptionally strong gap-closing capacity and is expected to maintain a high level of financial flexibility even during times of economic decline."

--Fitch Ratings Report for Louisville, 9/7/16

"Large, diverse and regionally significant economy" cited as a credit strength

--Moody's Ratings Report for Louisville, 9/6/16

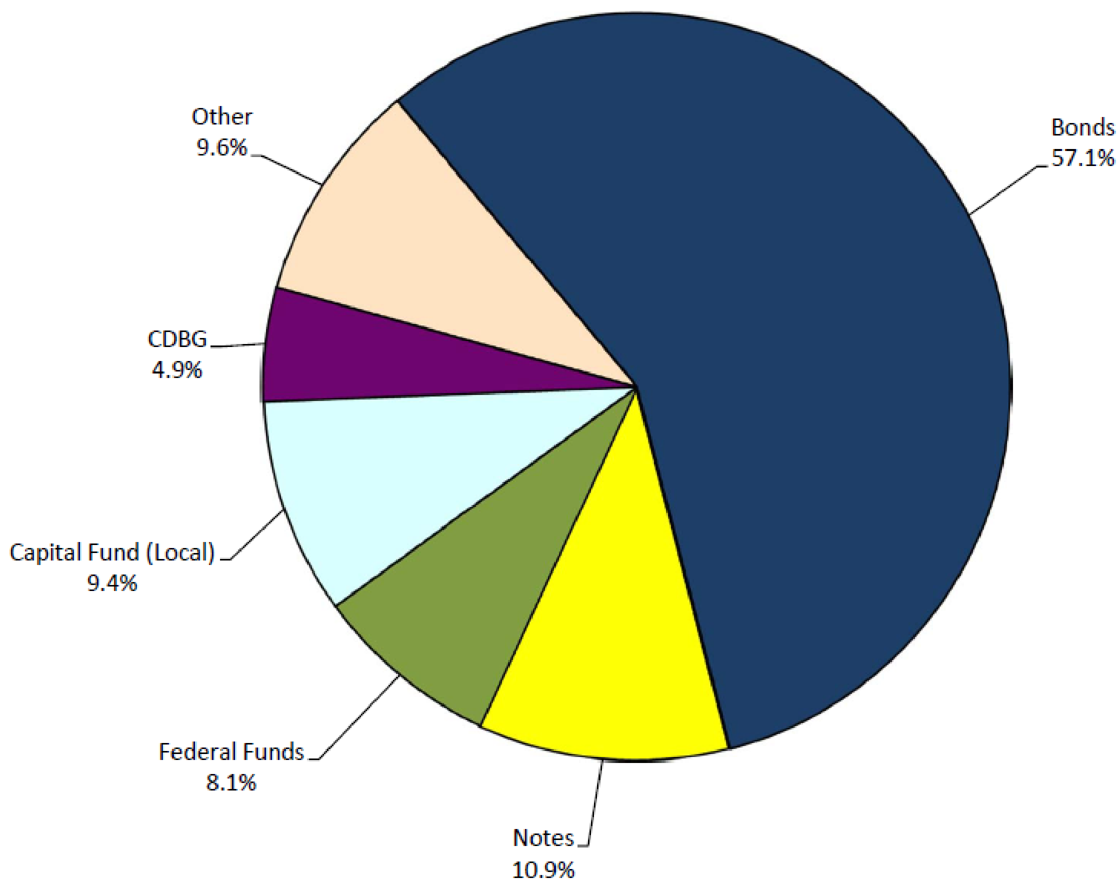
QUESTION AND ANSWER

CAPITAL OVERVIEW

Capital Budget Funding Sources

LOUISVILLE METRO
CAPITAL BUDGET
FISCAL YEAR 2017-2018

Funding Sources



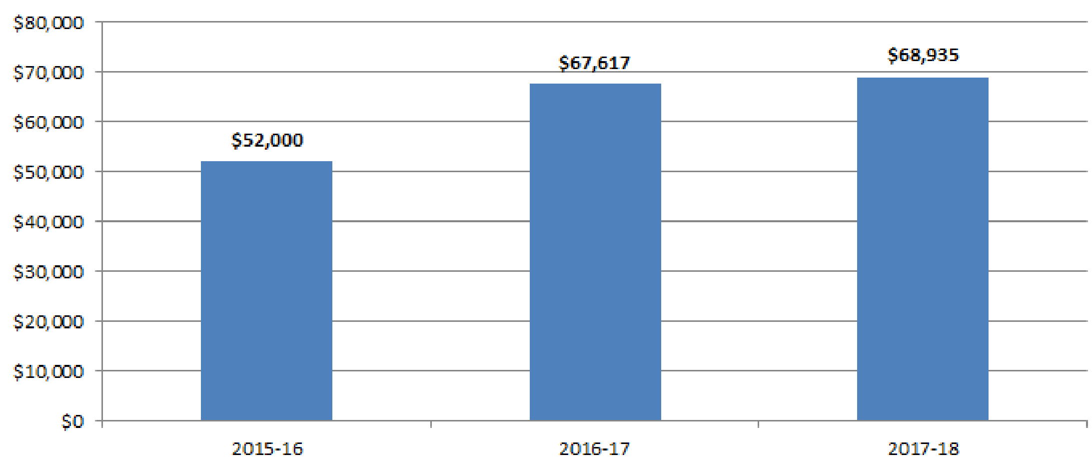
Capital Budget Funding Sources

CAPITAL FUND	
FY18 Current Year Transfer from the General Fund	5,604,500
Capital Cumulative Reserve Fund (CCRF) Interest	500,000
Lapsed Projects	595,000
Non-recurring	2,784,000
TOTAL:	**$9,483,500**

Capital Budget Funding Sources

DEBT	
30-Year Bond	12,000,000
20-Year Bond	15,450,000
10-Year Bond	30,400,000
Note	11,085,000
TOTAL:	**$68,935,000**

Debt Funding in Recommended Capital Budgets (in millions)



Note: 2015-16 figure excludes bond for Center City Development

Municipal & County Aid Funding Sources and Projects

MUNICIPAL & COUNTY AID FUNDING	
Municipal Aid Funds	$6,132,500
County Road Aid Funds	617,500
TOTAL:	**$6,750,000**

MUNICIPAL & COUNTY AID FUNDED PROJECTS	
#16 PW&A: Metro Street Improvements	$5,882,500
#17 PW&A: Guardrail Replacement	500,000
#18 PW&A: Signs & Markings	250,000
#19 PW&A: Pedestrian Safety Improvements	117,500
TOTAL:	**$6,750,000**

Capital Budget Funding Sources

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUNDING	
Estimated Formula Entitlement	$10,311,000
Carryforward Funds	424,000
Program Income	165,000
Subtotal:	**$10,900,000**
Appropriated for Operating Budget:	**$5,955,400**
CAPITAL TOTAL:	**$4,944,600**

Recommended Executive Budget FY2017-2018

CDBG Funded Projects

CDBG FUNDED PROJECTS	
#38 Develop Louisville: Russell Choice Neighborhood Infrastructure	2,500,000
#39 Develop Louisville: Home Repair	2,144,600
#40 Develop Louisville: Russell NRSA	300,000
TOTAL:	**$4,944,600**

QUESTION AND ANSWER