

LOUISVILLE METRO GOVERNMENT

RECOMMENDED EXECUTIVE BUDGET FOR 2020-2021
MAYOR GREG FISCHER





RECOMMENDED EXECUTIVE BUDGET FY21

FY21 Metro Budget Overview

May 4, 2020

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



RECOMMENDED EXECUTIVE BUDGET FY21

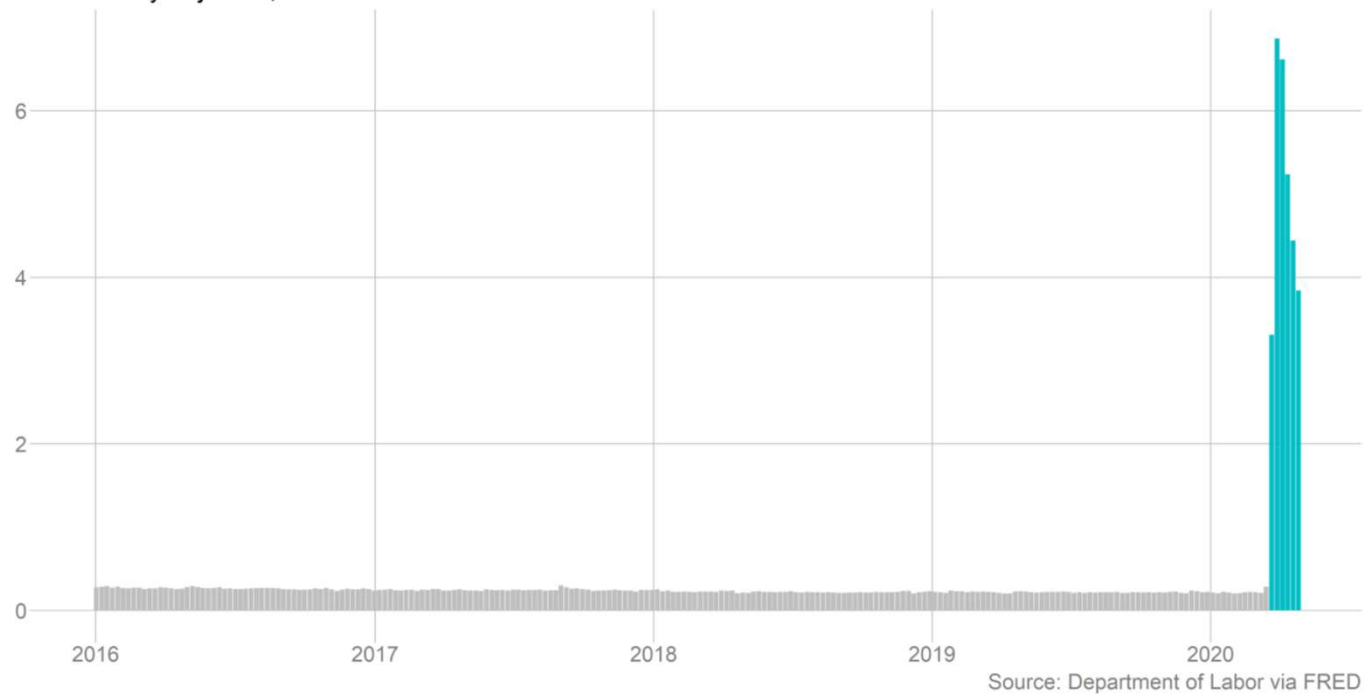
INTRODUCTION



Recommended Executive Budget FY21

National Economic Overview

Initial Claims for Unemployment Insurance
Seasonally adjusted, in millions.

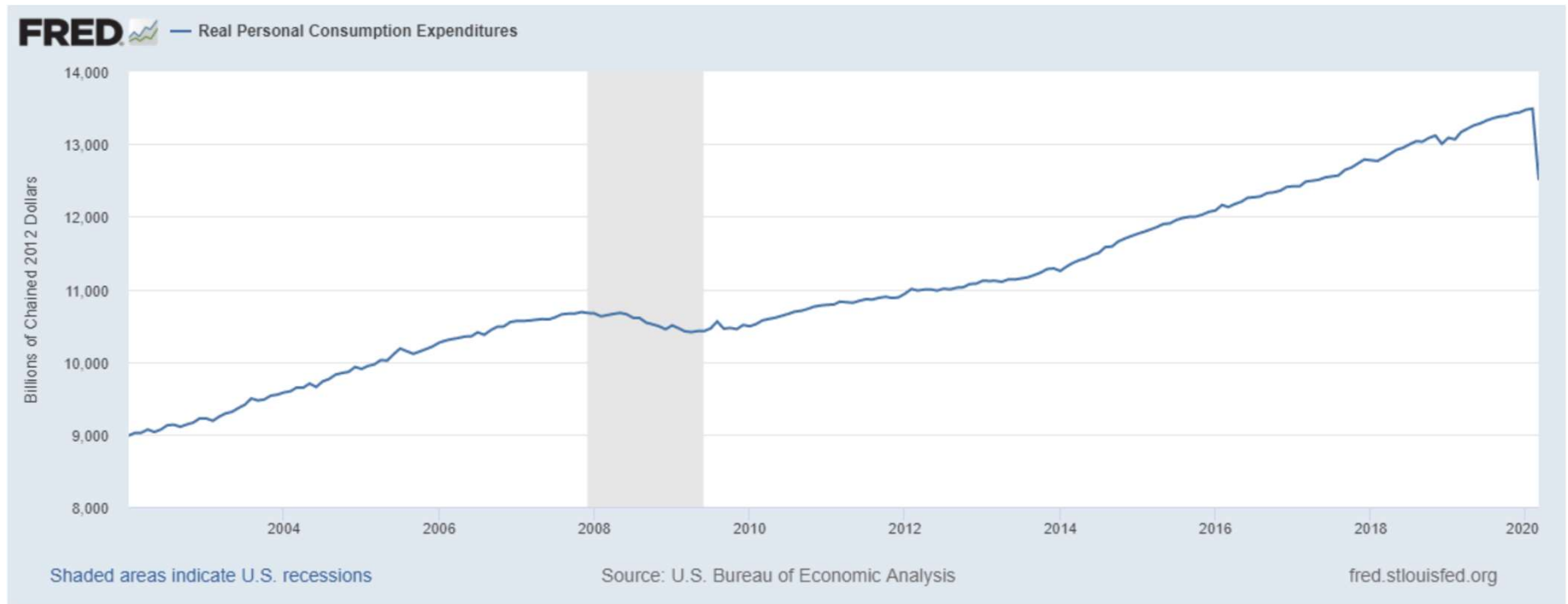


- 30M people filed for unemployment in the last 6 weeks



Recommended Executive Budget FY21

National Economic Overview



- Consumer spending down 7.9% in April (largest single month in over 60 years of data)⁵



Recommended Executive Budget FY21

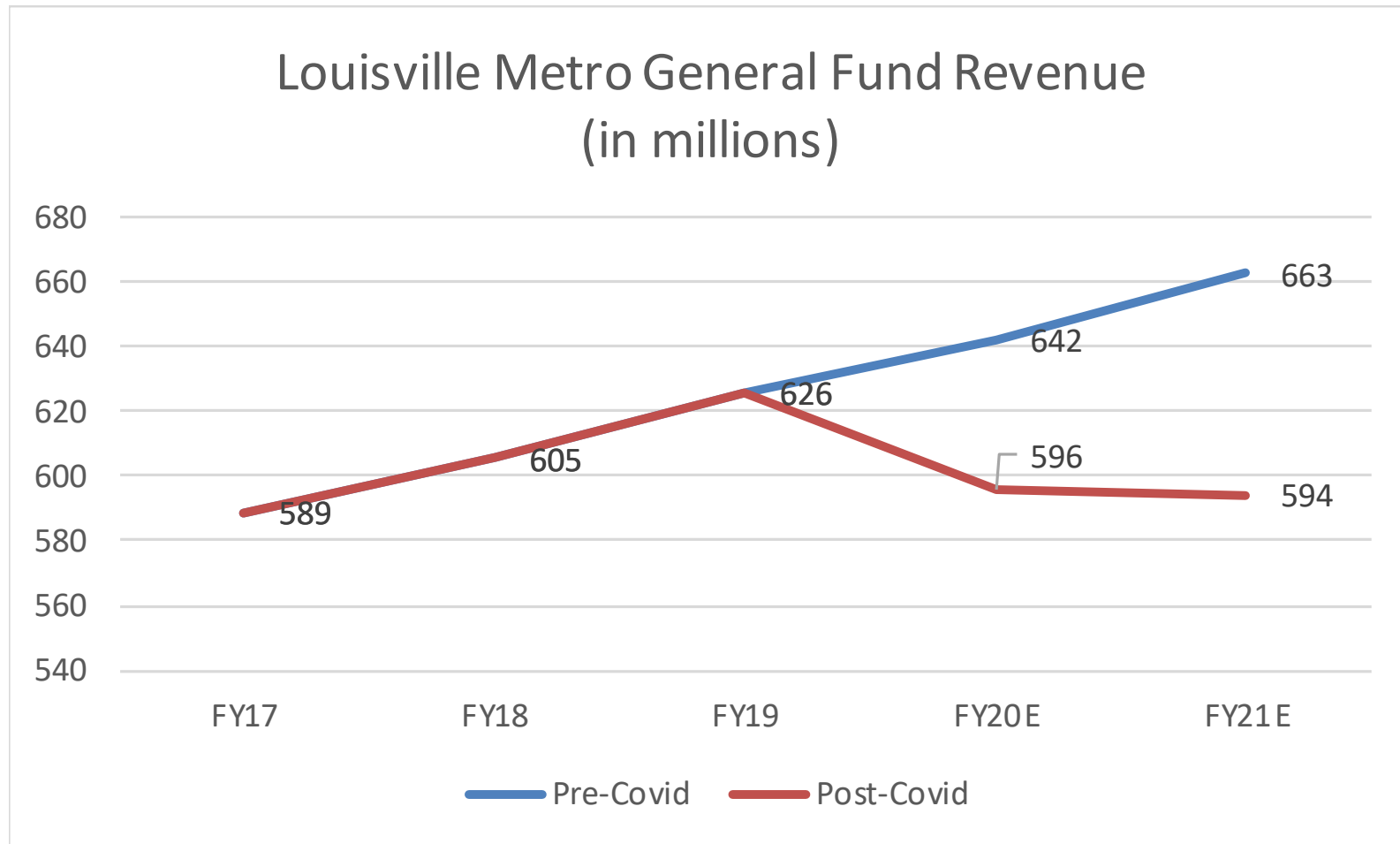
State Economic Overview

- Commonwealth of Kentucky's FY20 Q3 Revenue Report released 4/30 shows:
 1. FY20 Revenue shortfall of \$319M to \$496M compared to \$11.4B estimate
 2. First two quarters of FY21 forecasted to have 10.5% and 17.2% revenue declines (have not forecasted FY21 Q3 & Q4 yet)
 3. First time a range has been adopted, showing uncertainty
 4. General Assembly adopted only a 1-year budget⁶



Recommended Executive Budget FY21

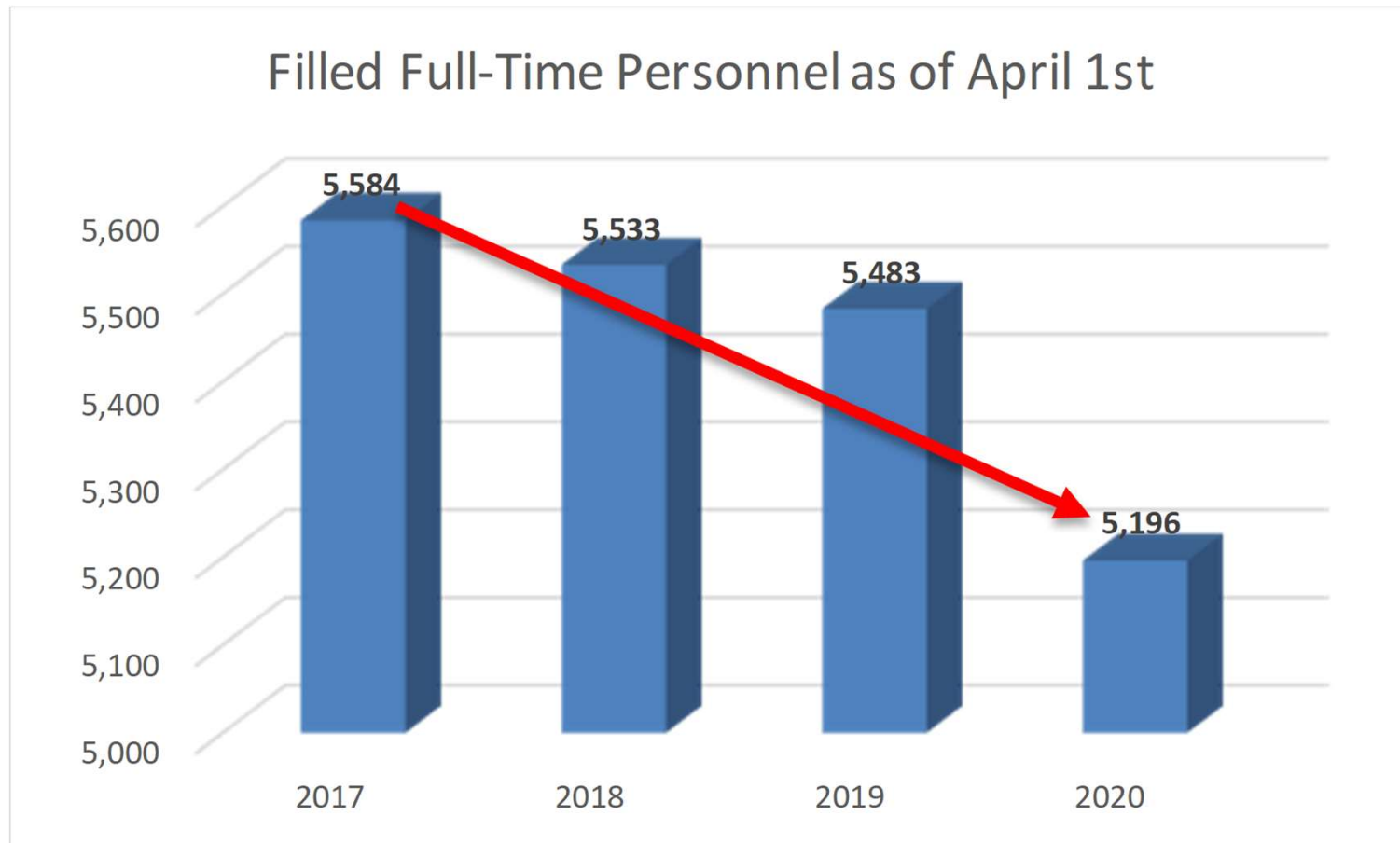
Local Economic Overview





Recommended Executive Budget FY21

Metro is Already Lean





Recommended Executive Budget FY21

Federal CARES Update

- **Need for General Fund Revenue Replacement and Flexibility**
- **\$133.8M Received**
- **Expenditures to date:**
 - <https://data.louisvilleky.gov/dataset/covid-19-expense-report>
 - \$8.3M expended or encumbered
 - \$2.3M personnel related
 - \$1.6M encumbered, but not expended yet
- **Guidelines and rules still being developed by the federal government**
- **Applying for additional federal grants where possible**



Recommended Executive Budget FY21

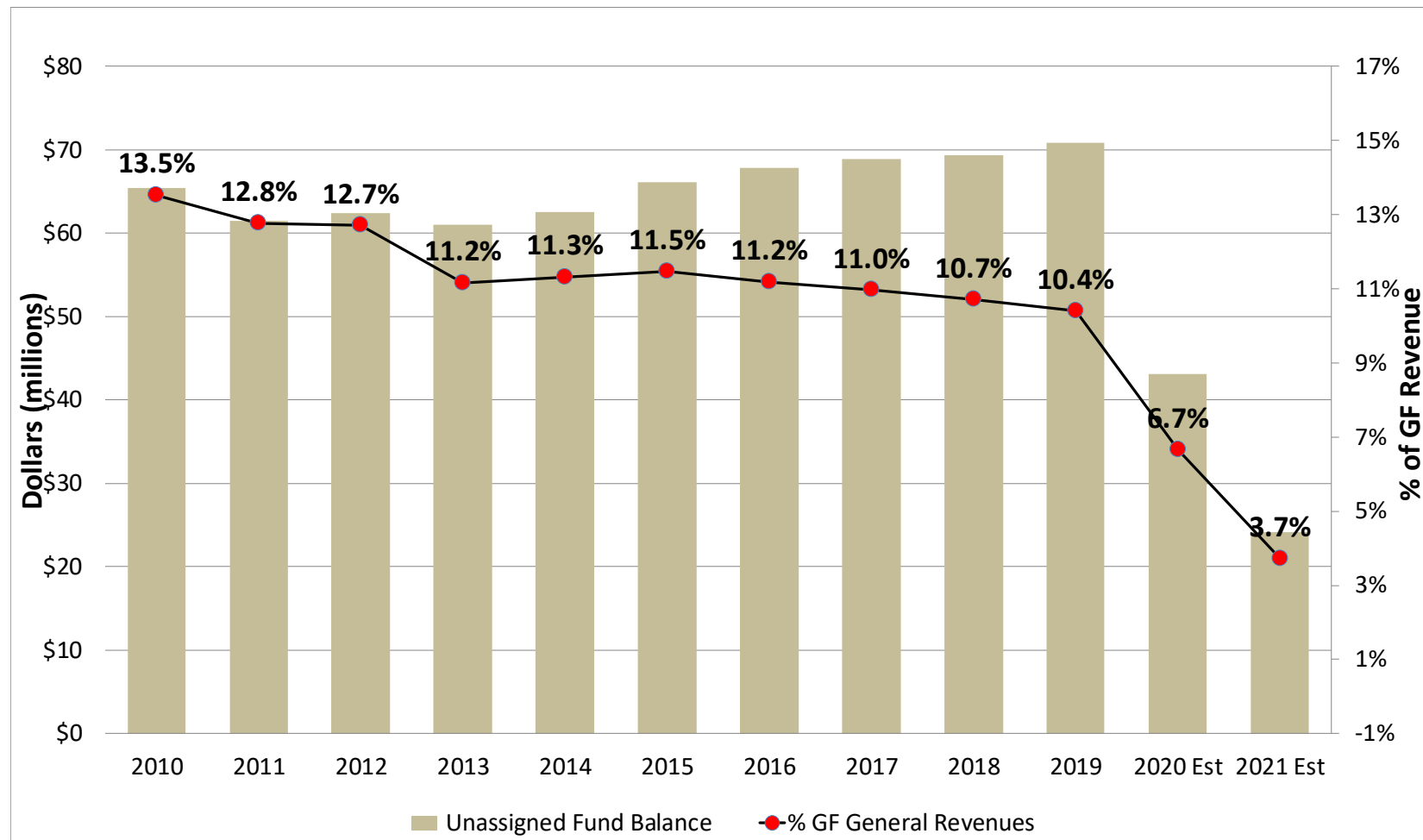
GF Unassigned Fund Balance

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	
6/30/17 Fund Balance	68.9	
6/30/18 Fund Balance	69.4	
6/30/19 Fund Balance	70.9	
Current FY20 Estimated Revenue General Fund Shortfall	(27.7)	This shortfall represents forecasted revenues of \$595.7 million vs. original budget of \$623.4 million due in part to Metro shifting the tax filing deadline from April 15 to July 15. Please note that Metro is continuing efforts to reduce current expenditures where possible.
Estimated 6/30/20 Fund Balance	\$43.2	This represents the fund balance at the end of FY20 assuming forecasted revenues materialize and expenditures remain on budget.
FY21 Interim Budget Proposal Shortfall	(19.0)	This shortfall represents available sources of revenues (\$602 million) versus total appropriations (\$621 million). Metro will continue to advocate for federal relief funding and/or coordinate with the Metro Council on revenues and expenses to bring the budget into balance.
Estimated 6/30/21 Fund Balance	24.2	This estimated fund balance is extremely likely to be adjusted by one of the two actions above listed.



Recommended Executive Budget FY21

GF Unassigned Fund Balance



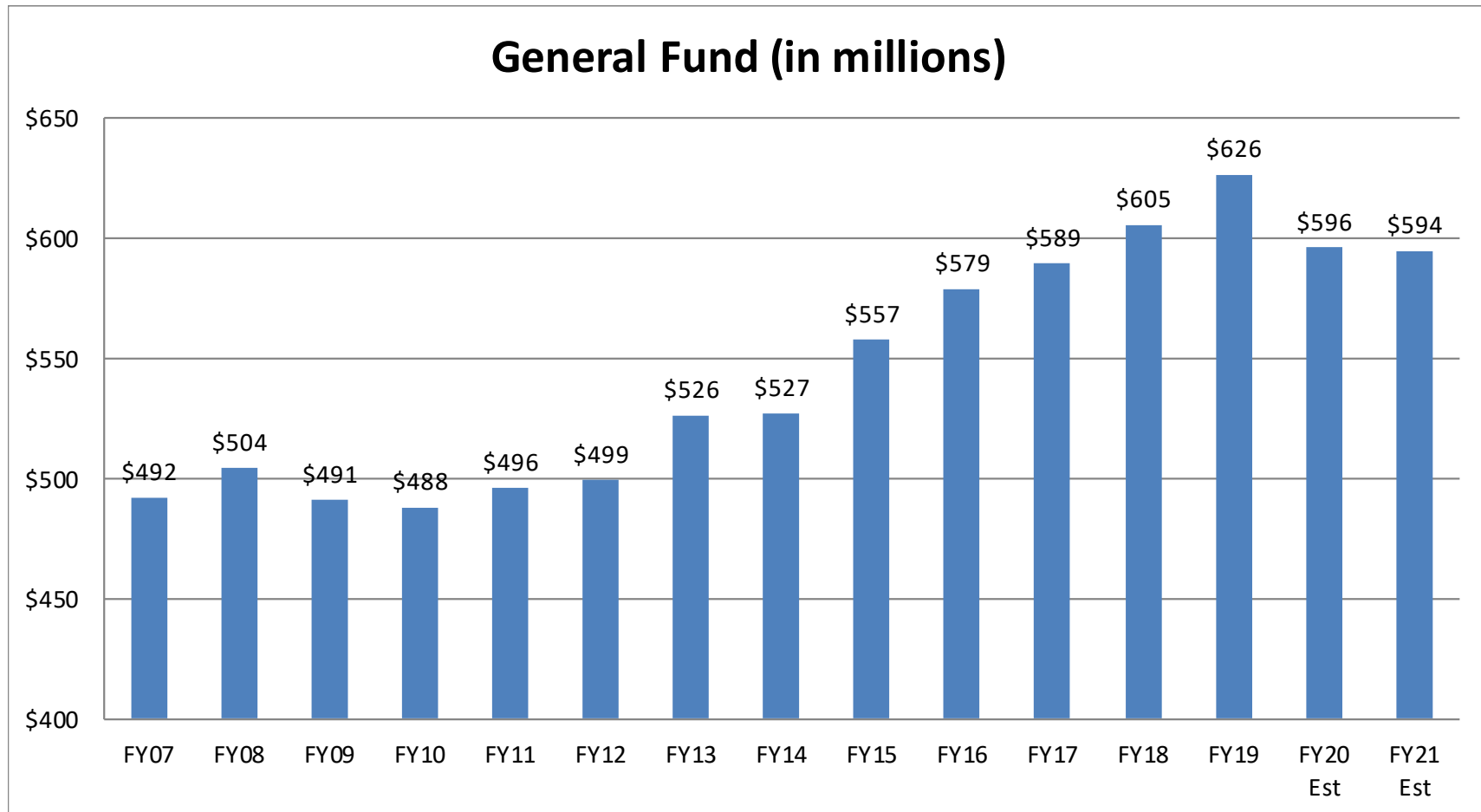


Recommended Executive Budget FY21

REVENUE OVERVIEW



Recommended Executive Budget FY21

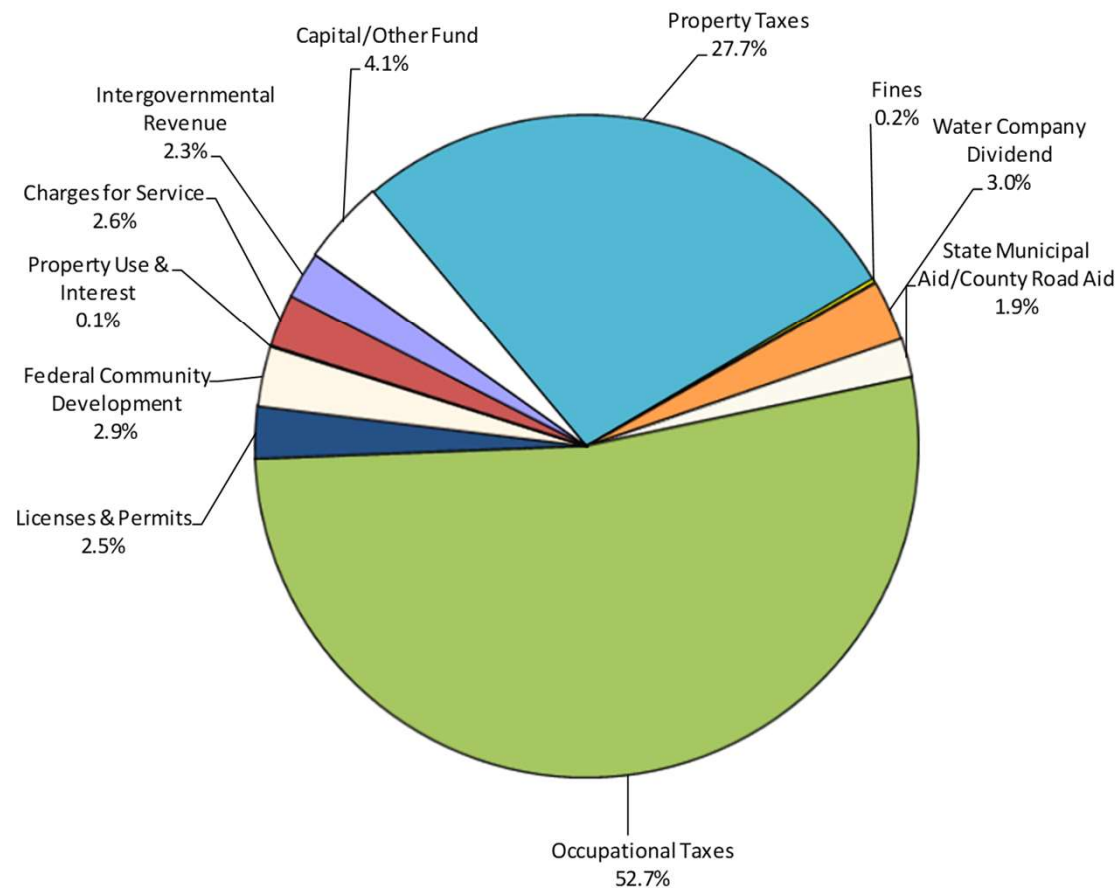




Recommended Executive Budget FY21

LOUISVILLE METRO
SOURCES OF REVENUE
FISCAL YEAR 2020-2021

General Fund - Municipal Aid/County Road Aid
Community Development Fund - Capital/Other Fund





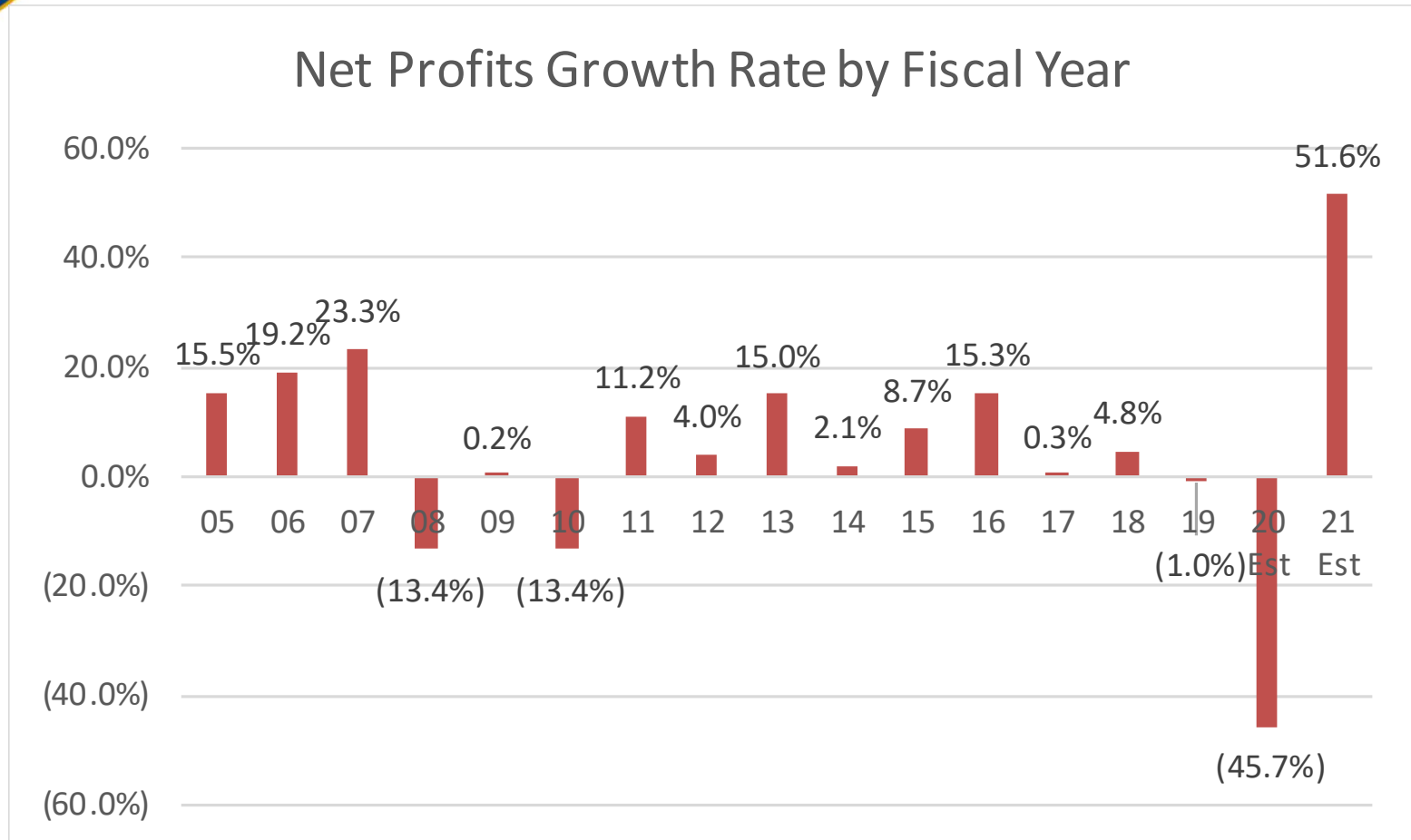
Recommended Executive Budget FY21

FY21 GF Revenue (in \$000s) Growth Forecast

	FY20 Est	FY21 Forecast	Growth Forecast	% Growth	*CAGR 5 %
R&P Property	\$147,500	\$153,890	\$6,390	4.3%	3.3%
Payroll	295,900	273,300	(22,600)	(7.6%)	4.6%
Net Profits	37,000	56,100	19,100	51.6%	5.4%
Insurance	65,380	64,720	(660)	(1.0%)	4.4%
Water Co.	18,710	19,640	930	5.0%	(1.0%)
Other	31,190	26,768	(4,422)	(14.2%)	(3.8%)
Total GF	\$595,680	\$594,418	(\$1,262)	(0.2%)	3.5%
Net Profits w/o \$20M shift FY20-->FY21	57,000	36,100	(20,900)	(36.7%)	5.4%
Total GF	\$615,680	\$574,418	(\$41,262)	(6.7%)	3.5%
*CAGR 5% is the Compound Average Growth Rate for the past 5 years, FY14-FY19					



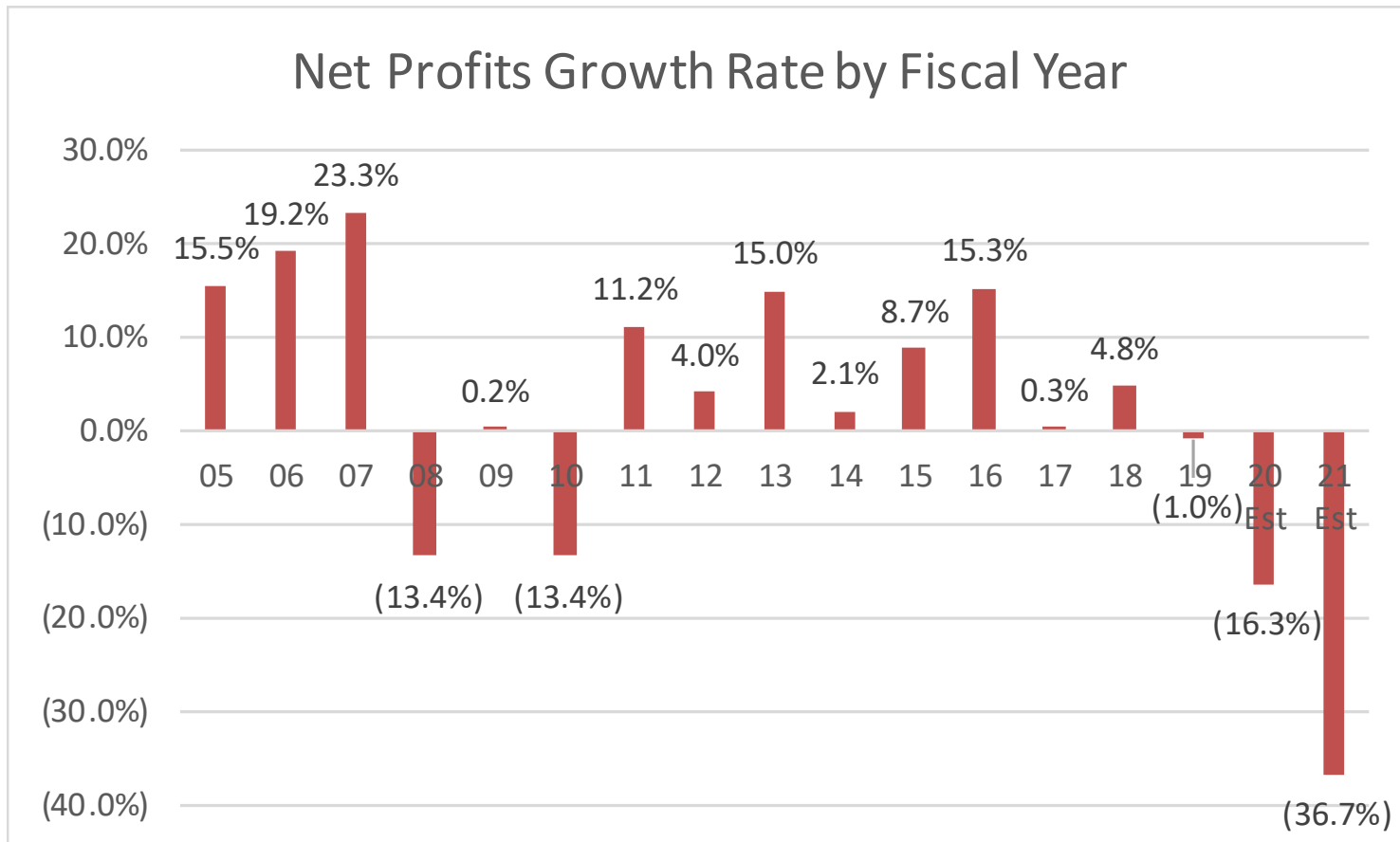
Recommended Executive Budget FY21



Display shows shifting of \$20M from 4/15/20 deadline into FY21 due to 7/15/20 revised deadline



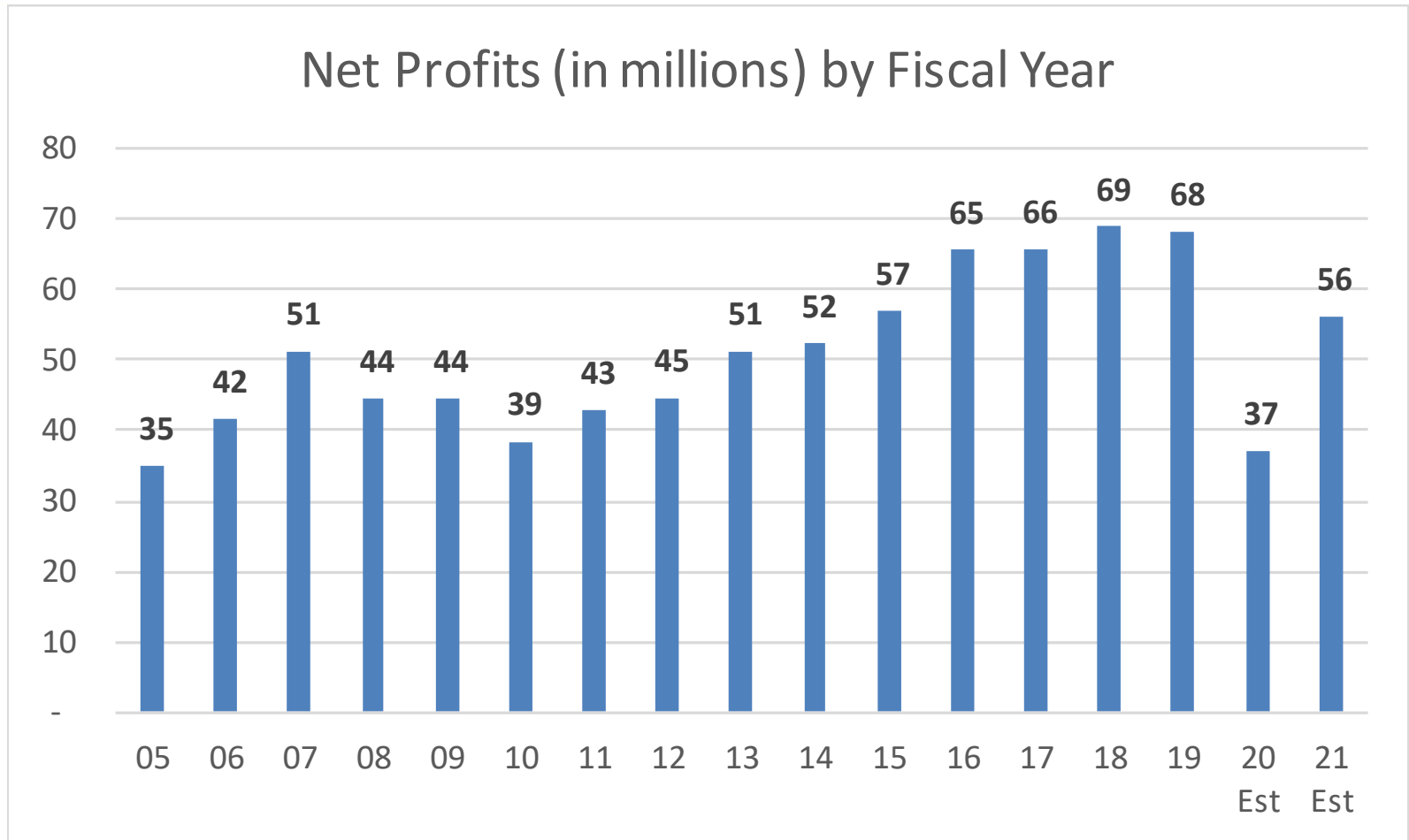
Recommended Executive Budget FY21



Display shows percentages without the effect of shifting \$20M from 4/15/20 to 7/15/20



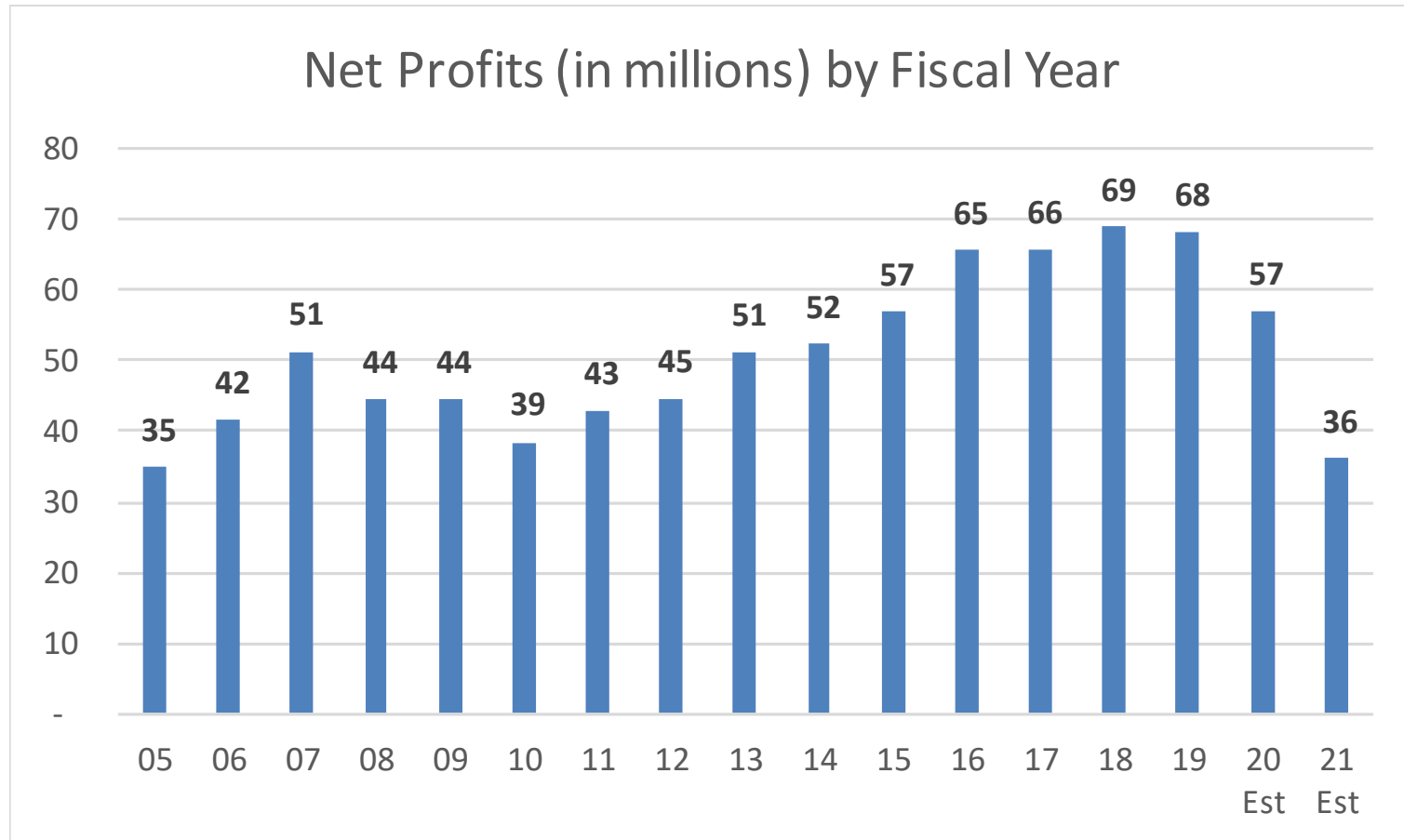
Recommended Executive Budget FY21



Display shows shifting of \$20M from 4/15/20 deadline into FY21 due to 7/15/20 revised deadline



Recommended Executive Budget FY21



Display shows totals without the effect of shifting \$20M from 4/15/20 to 7/15/20



Recommended Executive Budget FY21

Requested Quarterly Revenue Spread

	Q1	Q2	Q3	Q4	FY21 TOTAL
Employee Withh	66,600,000	65,700,000	71,800,000	69,100,000	273,200,000
Net Profits	26,700,000	5,700,000	6,100,000	17,600,000	56,100,000
Insurance Premi	16,600,000	16,500,000	15,200,000	16,420,000	64,720,000
Water Co. Divide	5,110,000	4,850,000	4,840,000	4,840,000	19,640,000
1 Real & Personal P	1%	96%		3%	153,890,000
2 All Other	25%	25%	25%	25%	26,867,600

TOTAL:

594,417,600

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 nine 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
FY18	59.6	71.9	131.5
FY19	57.2	77.8	135.0
FY20	60.0	81.6	141.6
% 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%
FY18	1.0%	3.8%	2.5%
FY19	(4.0%)	8.2%	2.7%
FY20	4.9%	4.8%	4.9%

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 FY21

Requested Quarterly Revenue Spread

	Q1	Q2	Q3	Q4	FY21 TOTAL
Employee Withholdings	\$66,600,000	\$65,700,000	\$71,800,000	\$69,100,000	\$273,200,000
Net Profits	26,700,000	5,700,000	6,100,000	17,600,000	56,100,000
Insurance Premiums	16,600,000	16,500,000	15,200,000	16,420,000	64,720,000
Water Co. Dividend	5,110,000	4,850,000	4,840,000	4,840,000	19,640,000
Real & Personal Property	1,540,000	73,100,000	73,100,000	6,150,000	153,890,000
All Other	6,720,000	6,720,000	6,720,000	6,707,600	26,867,600
TOTAL:	\$123,270,000	\$172,570,000	\$177,760,000	\$120,817,600	\$594,417,600

	Q1 YTD	Q2 YTD	Q3 YTD	FY21 TOTAL
Employee Withholdings	\$66,600,000	\$132,300,000	\$204,100,000	\$273,200,000
Net Profits	26,700,000	32,400,000	38,500,000	56,100,000
Insurance Premiums	16,600,000	33,100,000	48,300,000	64,720,000
Water Co. Dividend	5,110,000	9,960,000	14,800,000	19,640,000
Real & Personal Property	1,540,000	74,640,000	147,740,000	153,890,000
All Other	6,720,000	13,440,000	20,160,000	26,867,600
TOTAL:	\$123,270,000	\$295,840,000	\$473,600,000	\$594,417,600



Recommended Executive Budget FY21

QUESTION AND ANSWER



Recommended Executive Budget FY21

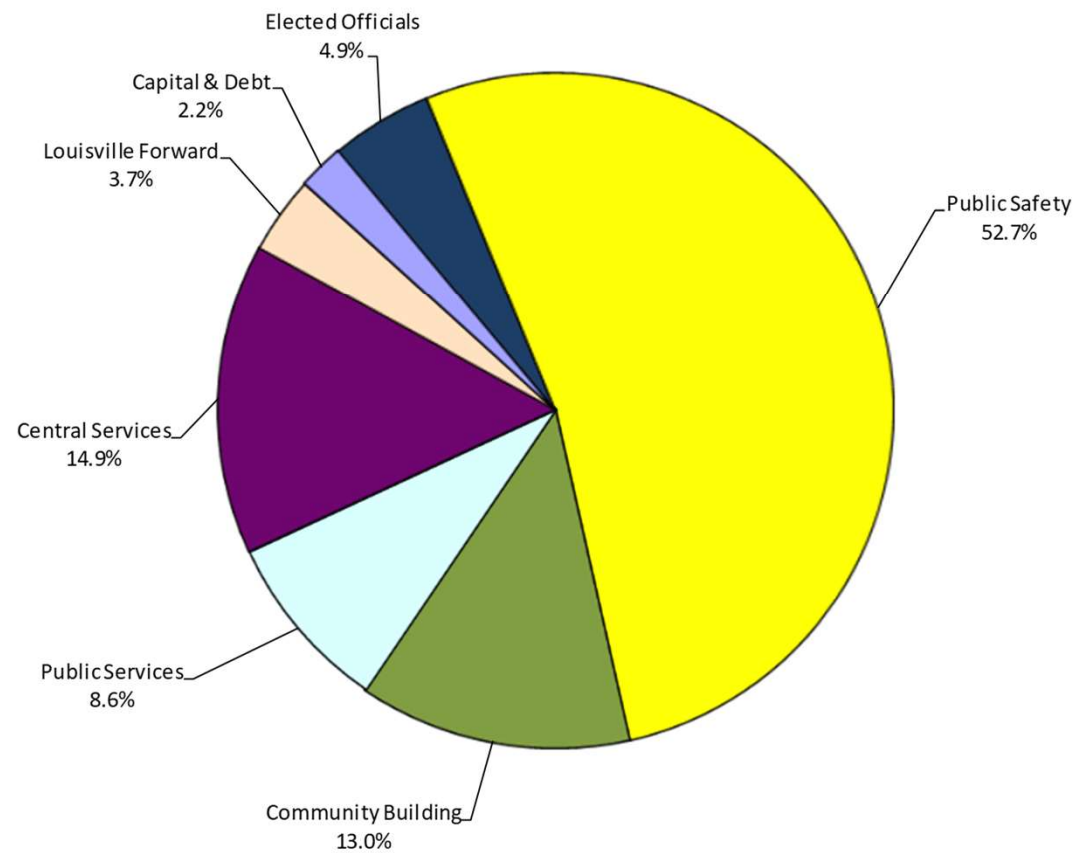
OPERATING OVERVIEW



Recommended Executive Budget FY21

LOUISVILLE METRO
EXPENDITURES (BY CATEGORY)
FISCAL YEAR 2020-2021

General Fund
Municipal Aid/County Road Aid
Community Development Fund
Capital/Other Fund





Recommended Executive Budget FY21

Personnel

Filled Position Comparison				
	Full-Time	Part-Time	Other	Total
4/1/2020	5,196	284	133	5,613
4/1/2019	5,483	318	136	5,937
4/1/2018	5,533	316	185	6,034
4/1/2017	5,584	285	190	6,059
Net	(388)	(1)	(57)	(446)

Filled Position Comparison - LMPD only				
	Full-Time	Part-Time	Other	Total
4/1/2020	1,446	51	-	1,497
4/1/2019	1,544	62	-	1,606
4/1/2018	1,518	60	-	1,578
4/1/2017	1,542	61	-	1,603
Net	(96)	(10)	-	(106)

Filled Position Comparison - Excluding LMPD				
	Full-Time	Part-Time	Other	Total
4/1/2020	3,750	233	133	4,116
4/1/2019	3,939	256	136	4,331
4/1/2018	4,015	256	185	4,456
4/1/2017	4,042	224	190	4,456
Net	(292)	9	(57)	(340)



Recommended Executive Budget FY21

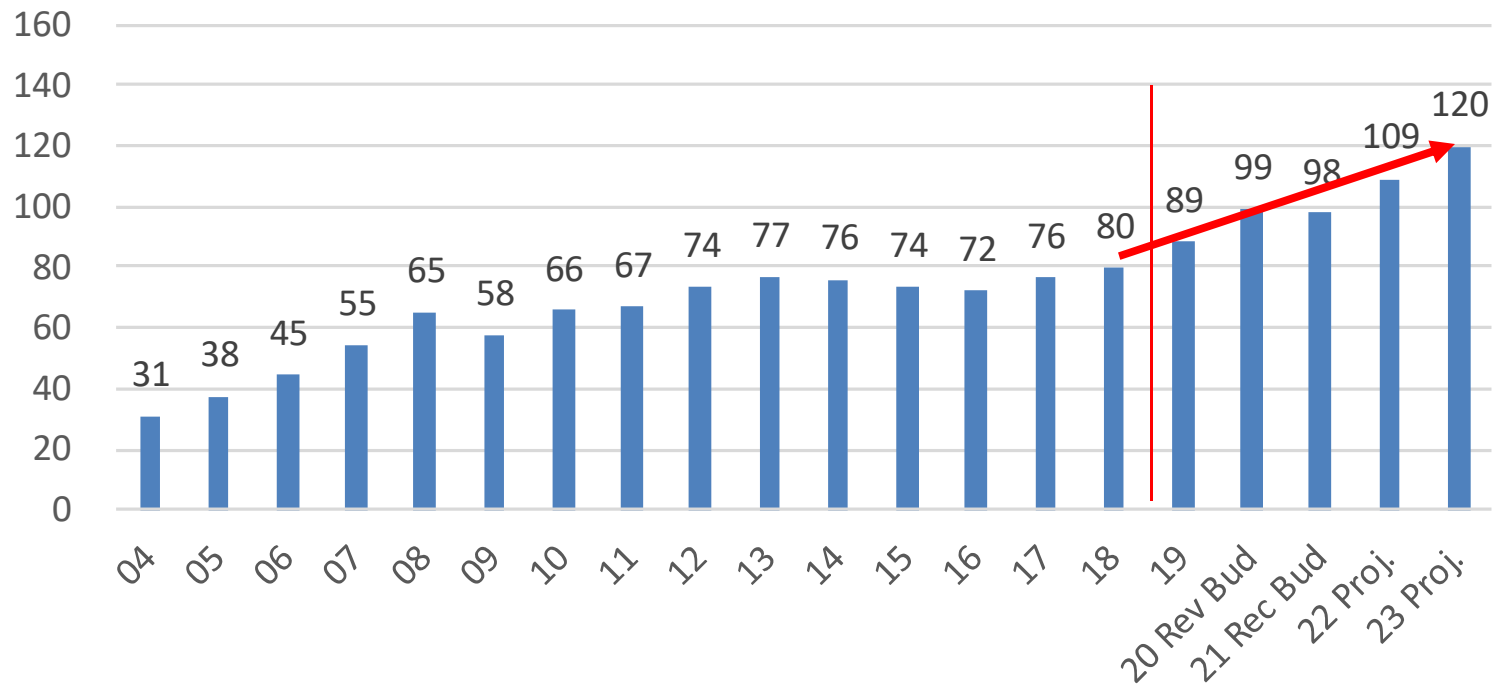
CERS Rate History:

<u>Hazardous Duty</u>				<u>Non-Hazardous Duty</u>			
<u>Year</u>	<u>Rate</u>	<u>% Change from Prior Year</u>	<u>Cumulative % Change since FY03-04</u>	<u>Year</u>	<u>Rate</u>	<u>% Change from Prior Year</u>	<u>Cumulative % Change since FY03-04</u>
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%
FY 2018-19	35.34	12.0%	91%	FY 2018-19	21.48	12.0%	193%
FY 2019-20	39.58	12.0%	114%	FY 2019-20	24.06	12.0%	228%
FY 2020-21	39.58	0.0%	114%	FY 2020-21	24.06	0.0%	228%
FY 2021-22	44.33	12.0%	139%	FY 2021-22	26.95	12.0%	267%
FY 2022-23	49.65	12.0%	168%	FY 2022-23	28.30	5.0%	286%



Recommended Executive Budget FY21

Metro CERS Contributions (in millions) by Fiscal Year (All Funding Sources)

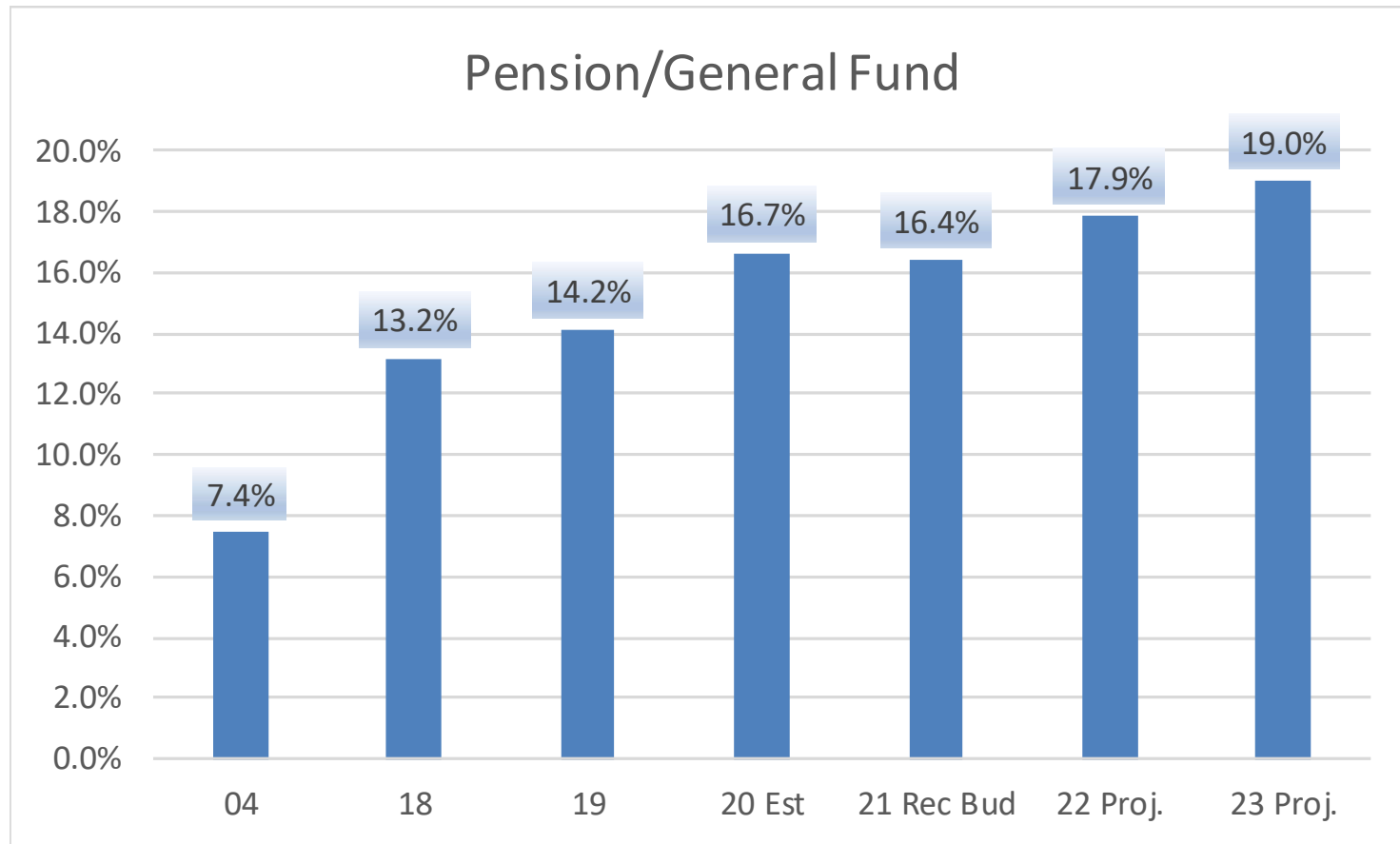


Note: estimated 12% CERS annual rate increase assumed for FY22 and 9.7% for-FY23 without any assumed wage growth



Recommended Executive Budget FY21

Pension as a Percentage of General Fund Revenues by Fiscal Year



FY22-23 Projections assume General Fund revenue growth of 3%/year

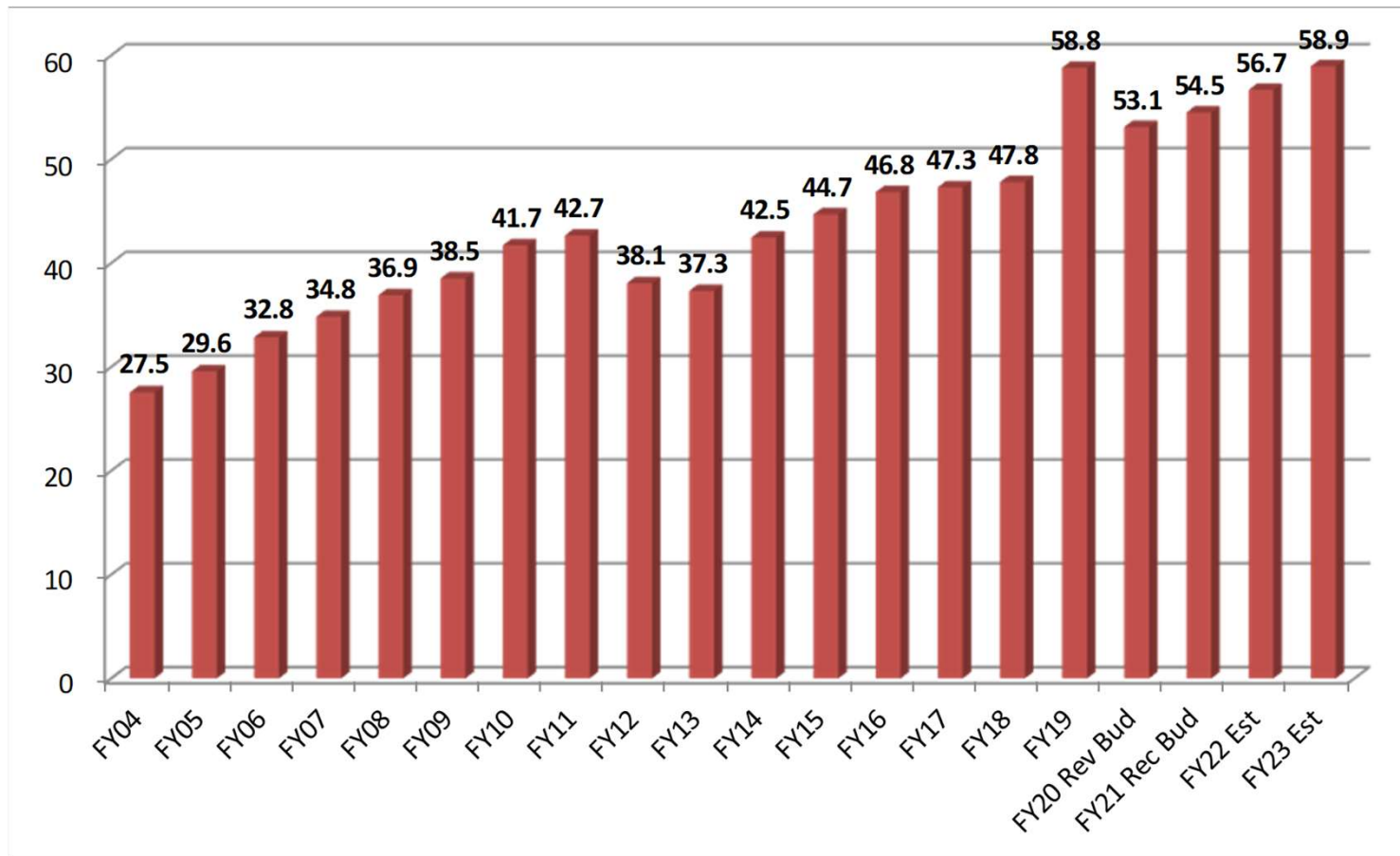
and CERS pension growth of 12% in FY22 and 9.7% in FY23 with no wage increases from FY21



Recommended Executive Budget FY21

Metro Health Insurance Costs

(All Funding Sources/in millions)

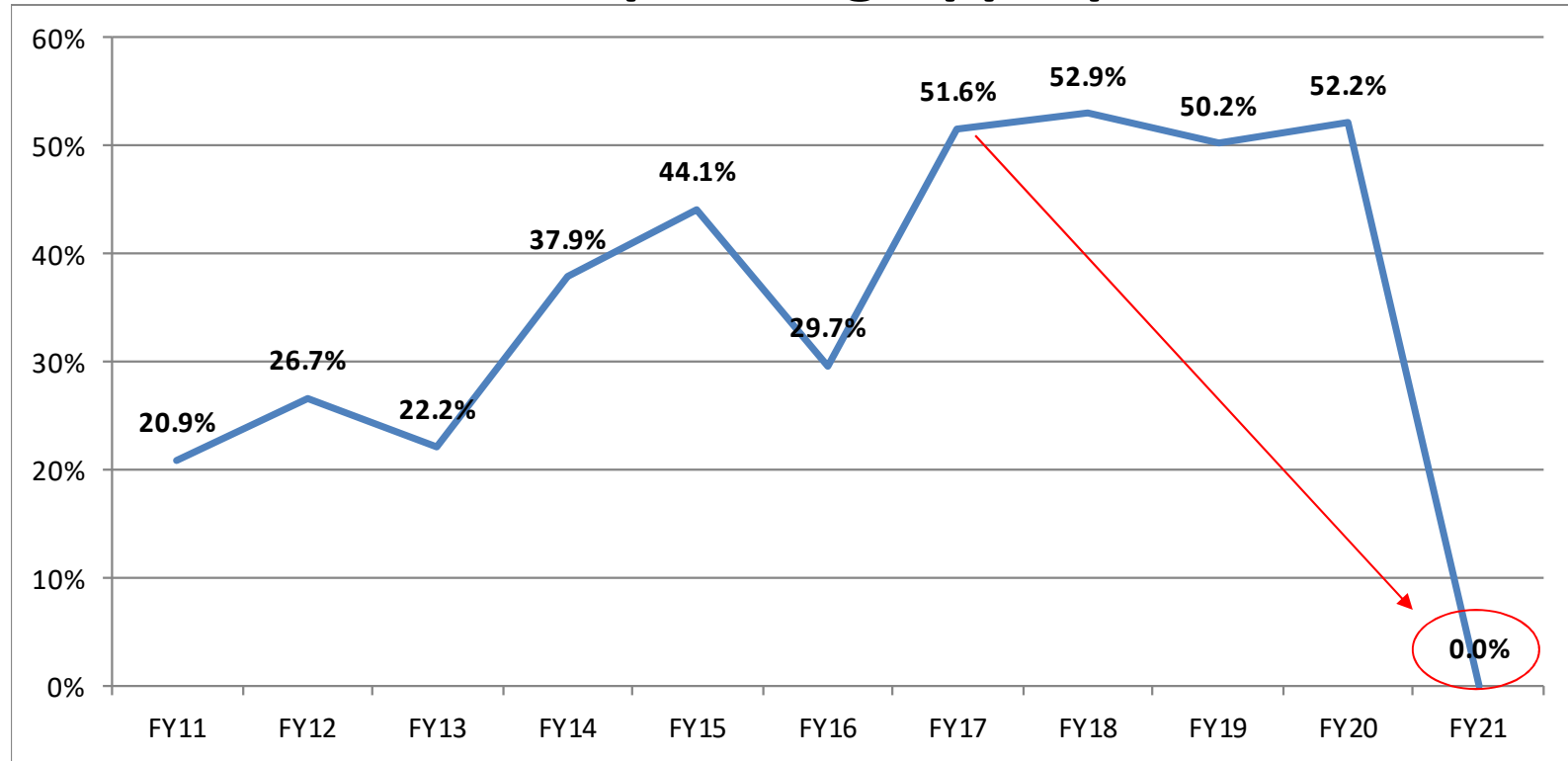


Note: estimated 4% health insurance annual rate increase assumed for FY22-FY23



Recommended Executive Budget FY21

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



	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
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	6,500,000	6,500,000	\$ 12,270,000
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	6,550,000	7,090,400	-
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	13,050,000	13,590,400	\$ 12,270,000



Recommended Executive Budget FY21

QUESTION AND ANSWER



Recommended Executive Budget FY21

DEBT MANAGEMENT OVERVIEW



Recommended Executive Budget FY21

FY21 Debt Service Paid by the Office of Management & Budget

Issue	Gross Debt Service	External Source of		Budgeted Amount
		Debt Service	Net Debt Service	
2007A	4,321,379	4,234,951	86,428	86,500
Line of Credit	900,000	-	900,000	900,000
SUBTOTAL:	5,221,379	4,234,951	986,428	986,500

FY21 Debt Service Paid by the Revenue Commission

Issue	Gross Debt Service	External Source of		Budgeted Amount
		Debt Service	Net Debt Service	
2009A	784,800	-	784,800	784,800
2009F	8,518,646	1,430,288	7,088,358	7,088,500
2010C	733,199	240,027	493,173	493,200
2010D	3,826,413	1,847,426	1,978,987	1,979,000
2010E	679,875	-	679,875	679,900
2013A	674,469	-	674,469	674,500
2013B	1,826,461	-	1,826,461	1,826,500
2014D	744,525	-	744,525	744,600
2014F	2,337,000	-	2,337,000	2,337,000
2015A	4,925,300	460,000	4,465,300	4,465,300
2015B	686,953	-	686,953	687,000
2015B Ctr City	1,218,533	993,699	224,833	224,900
2016A	10,062,150	-	10,062,150	10,062,200
2016B	4,186,919	3,414,383	772,535	772,600
2017A	9,415,569	207,390	9,208,179	9,208,200
2017B	259,395	-	259,395	259,400
2018A	588,994	-	588,994	589,000
2018B	1,569,219	-	1,569,219	1,569,300
2019A	5,790,025	-	5,790,025	5,790,100
2020A	1,050,000	-	1,050,000	1,050,000
SUBTOTAL:	\$59,878,442	8,593,213	\$51,285,230	\$51,286,000
FY21 TOTAL:	\$65,099,821	\$12,828,164	\$52,271,657	\$52,272,500



Recommended Executive Budget FY21

Outstanding Debt Level

Outstanding Debt as a Percentage of Budgeted General Fund Revenue

	Totals in Millions											
	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	Est FY19	Est FY20	Est FY21
Outstanding Debt (CAFR)	\$450	\$428	\$393	\$371	\$340	\$331	\$468	\$494	\$544	\$502	\$494	\$539
General Fund Table (Budget)	\$488	\$496	\$499	\$526	\$527	\$557	\$579	\$589	\$605	\$626	\$596	\$594
Debt as a % of General Fund:	92%	86%	79%	71%	65%	59%	81%	84%	90%	80%	83%	91%

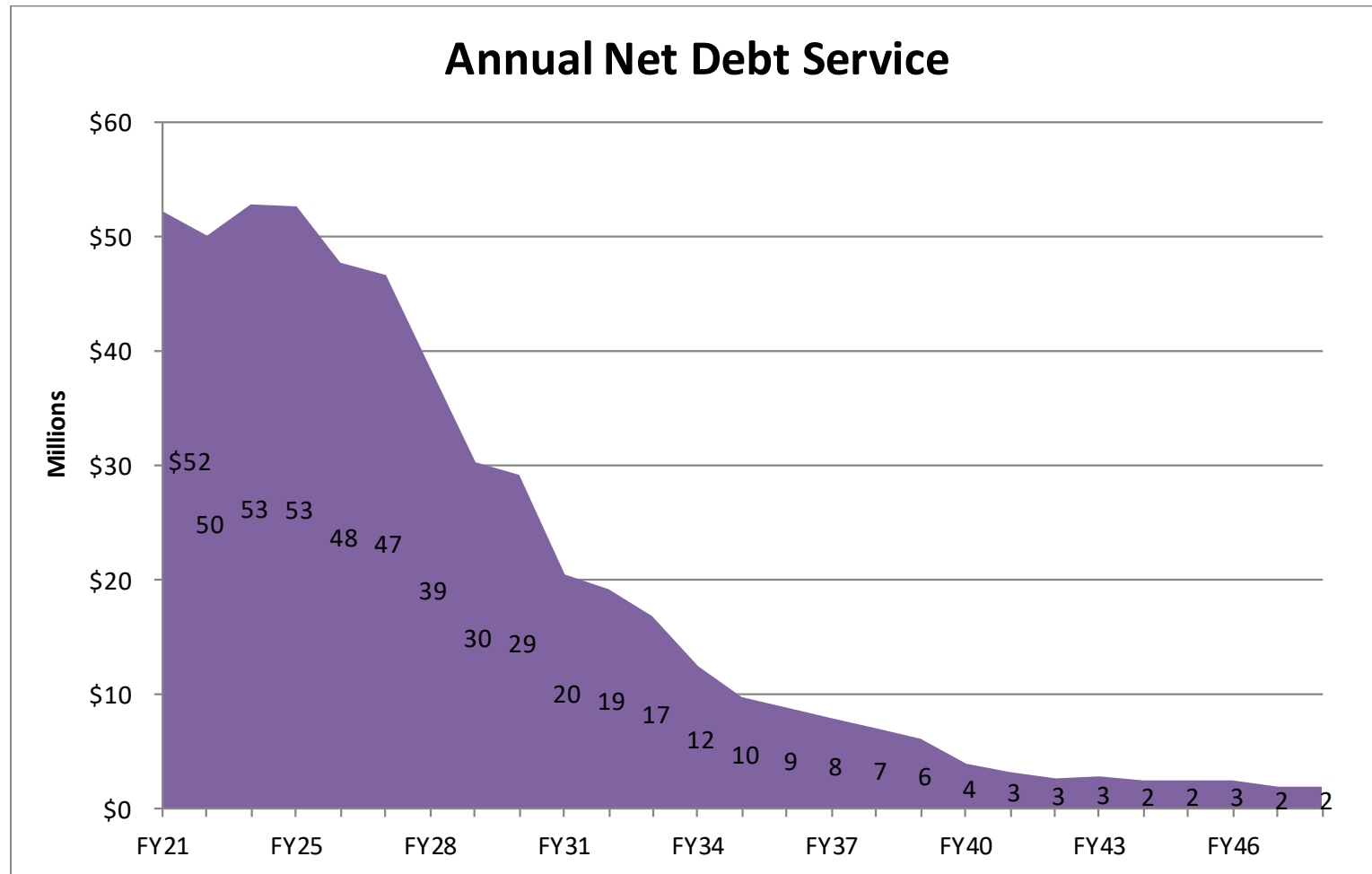
Debt Service as a Percentage of Budgeted General Fund Revenue

	Totals in Millions											
	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	Est FY19	Est FY20	Est FY21
GF Budgeted Revenue	\$488	\$496	\$499	\$526	\$527	\$557	\$559	\$583	\$605	\$626	\$596	\$594
Contra Addback	\$18	\$24	\$25	\$25	\$29	\$33	\$38	\$44	\$47	\$49	\$49	\$52
Total Revenue	\$506	\$520	\$523	\$550	\$556	\$590	\$597	\$627	\$652	\$675	\$645	\$647
Budgeted Net Debt Service	\$37	\$43	\$45	\$45	\$44	\$48	\$50	\$52	\$55	\$56	\$56	\$52
Net Debt Service/Total Rev:	7.4%	8.2%	8.6%	8.2%	8.0%	8.1%	8.4%	8.2%	8.4%	8.3%	8.7%	8.1%



Recommended Executive Budget FY21

LONG-TERM DEBT SERVICE





Recommended Executive Budget FY21

Metro Credit Ratings

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

Excerpts from the Moody's Ratings Report for Louisville, 10/4/19:

Credit challenges

- » Lower reserves and liquidity relative to national peers
- » Resident income levels below Aa1 median
- » Higher pension burden compared to medians for the rating category

Factors that could lead to a downgrade

- » Reduction in operating flexibility and narrowing reserve levels
- » Material contraction in tax base and weakened income levels
- » Substantial increase in debt burden

<https://louisvilleky.gov/government/management-budget/credit-rating-agency-reports>



Recommended Executive Budget FY21

QUESTION AND ANSWER



Recommended Executive Budget FY21

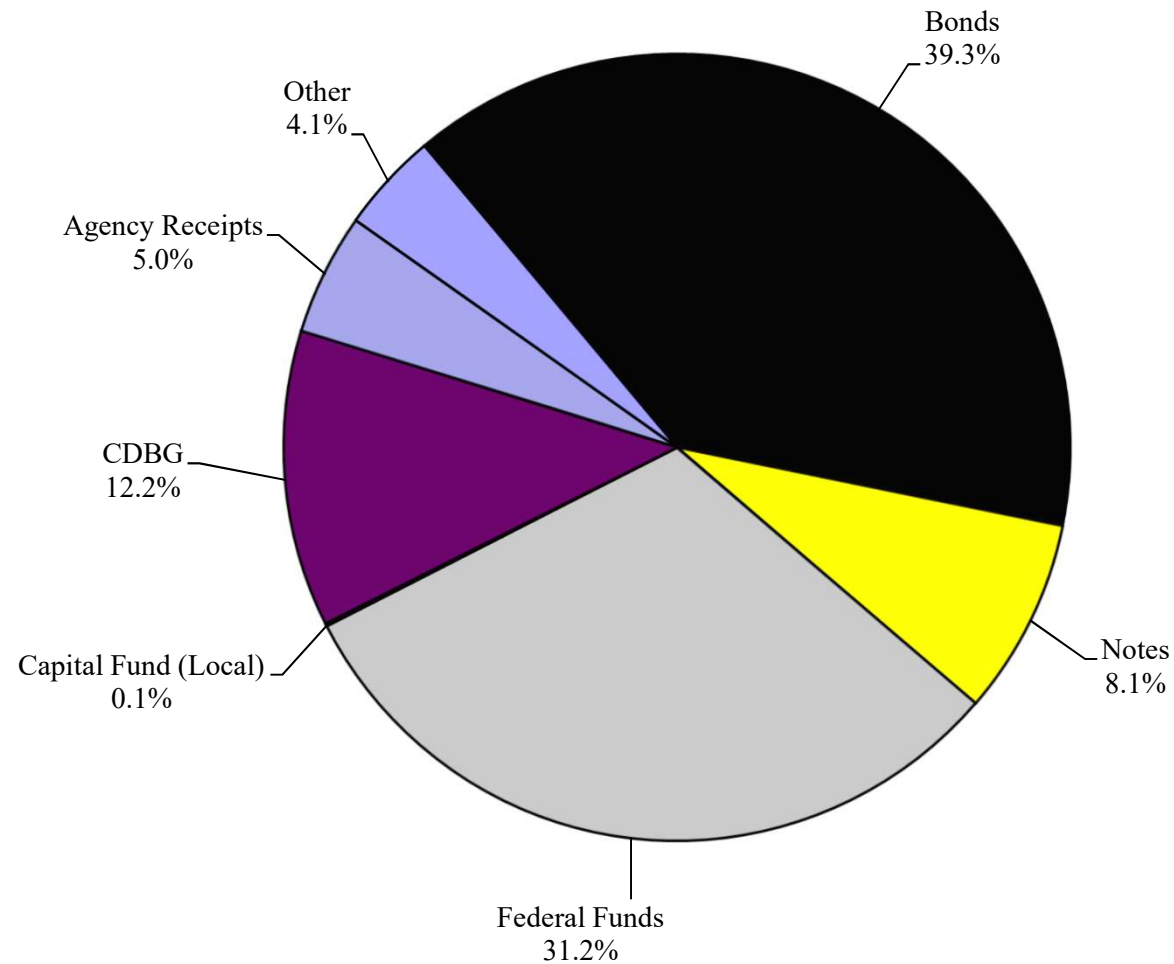
CAPITAL OVERVIEW



Recommended Executive Budget FY21

LOUISVILLE METRO
CAPITAL BUDGET
FISCAL YEAR 2020-2021

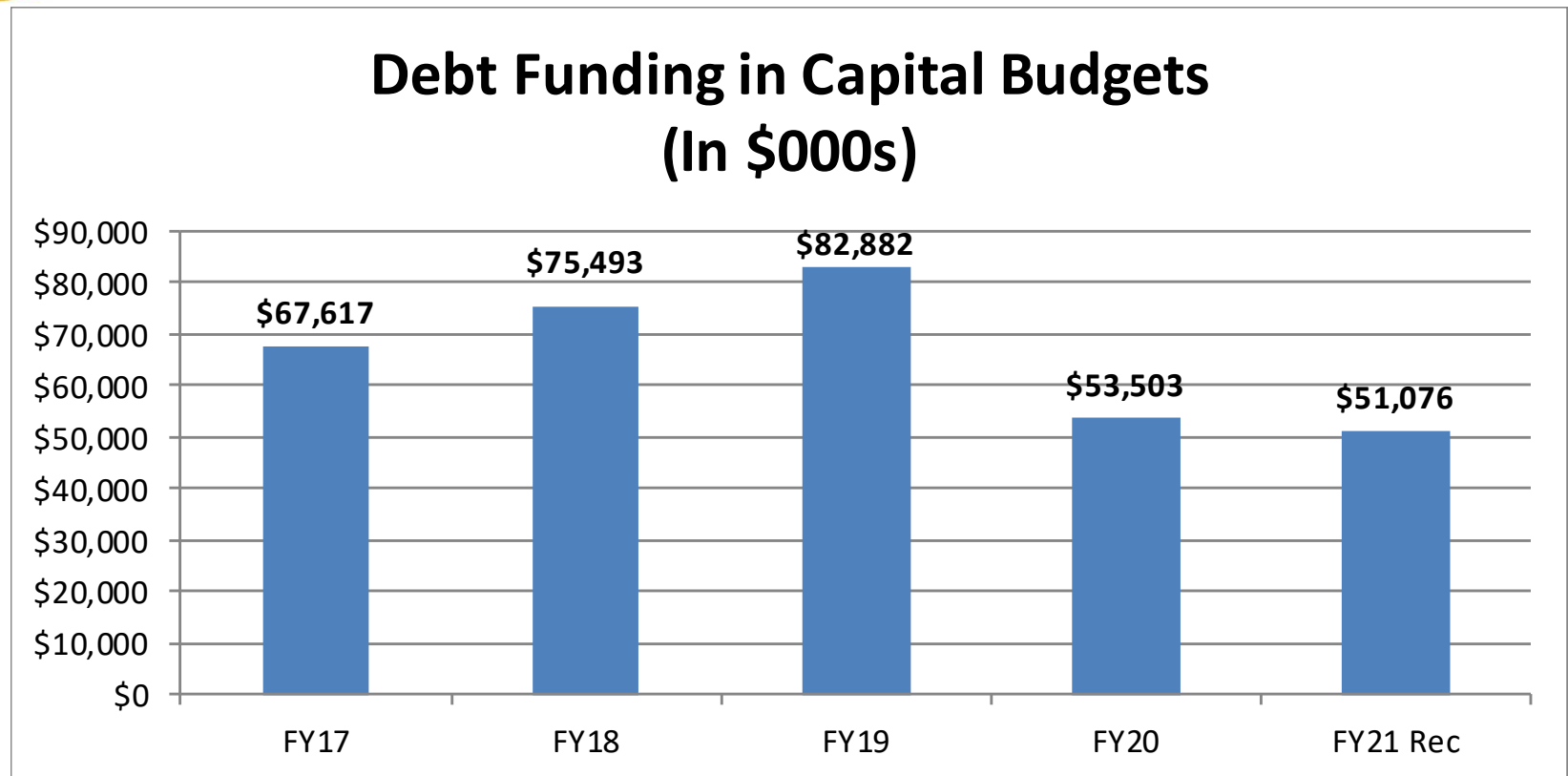
Funding Sources





Recommended Executive Budget FY21

Capital Budget Funding Sources



DEBT	
10-Year Bond	\$42,325,700
Note	8,750,000
TOTAL:	\$51,075,700



Recommended Executive Budget FY21

CDBG Funded Projects

CDBG FUNDED PROJECTS

#57 Develop Louisville: Russell Choice Neighborhood Infrastructure	\$ 3,125,000
#58 Develop Louisville: Affordable Housing Homeowner Unit Preservation - Russell and Other at Risk Areas	1,750,000
#59 Develop Louisville: Home Repair - Emergency/Exterior/Code Alleviation & Rental Rehabilitation	8,003,200
#60 Develop Louisville: Ramp and Barrier Removal Projects	200,000
TOTAL:	\$13,078,200



Recommended Executive Budget FY21

QUESTION AND ANSWER