



FY19 Year-End Update

FY19 Year-End Update November 14, 2019

- Closing & Audit Timelines/Process
- Update on Revenues & Expenditures
- Year-End Ordinance
- Question & Answer



FY19 Year-End Update

Closing & Audit Timelines/Process

- February/March
 - The Auditor of Public Accounts (APA) makes a determination of whether to audit Metro directly or assign that right to a third party (Crowe Horwath is our external auditor).
- July/August
 - Posting of transactions, invoices, and deposits for FY19
 - Accrual transactions; calculate pension and OPEB liabilities; grant verification; closure of subsidiary ledgers; actuarial services for Risk and Health Funds; TARC, Riverport, and MSD audits



FY19 Year-End Update

Closing & Audit Timelines/Process

- September/October
 - Reconcile ledger activity; identify designated fund balances and carryforwards; prepare audit workpapers; LMG auditor and other contracted auditors complete audits for component units with year end 6/30; Audit of LMG initiated; Schedule of Expenditure of Financial Awards (SEFA) compiled and reviewed; Financial reports for 3 blended component units; Comprehensive Annual Financial Report (CAFR) Fund statements developed



FY19 Year-End Update

Closing & Audit Timelines/Process

- November/December
 - CAFR footnotes drafted and supplemental data assembled; audit testing of LMG continues; Publication of CAFR by 12/26/19 to EMMA (Electronic Municipal Market Access)—this is our disclosure requirement under the Municipal Securities Rule Making Board (MSRB)
- January/February
 - Audit of grants selected for testing for the SEFA
 - SEFA published and submitted (our cognizant financial agency is HUD)



FY19 Year-End Update

Closing & Audit Timelines/Process

- Metro Council specific timelines
 - FY16 year-end completed with Ordinance No. 221, Series 2016 adopted on 12/15/16
 - FY17 year-end completed with Ordinance No. 244, Series 2017 adopted on 12/14/17
 - FY18 year-end completed with Ordinance No. 238, Series 2018 adopted on 12/13/18
 - Anticipate FY19 year-end to complete with an ordinance adoption on 12/12/19
 - Filing of FY19 ordinance on 11/18/19 with first reading on 11/21/19
 - Budget Cmte on 12/5/19
 - Second reading/adoption on 12/12/19



FY19 Year-End Update

Update on Revenues & Expenditures

- General Fund Revenues (in millions):

	Louisville	State
FY19 Original Revenue Budget	621.4	11,198.2
FY19 Actual Revenue	626.0	11,392.7
\$ Difference	4.6	194.5
% Difference	0.7%	1.7%

- LMG's primary factors
 - Public Service Corporation property taxes (\$13.2M-v-\$10.5M)
 - Debt issuance delay (\$3.0M)
 - Net Profits non-recurring capital gains



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Update on Revenues & Expenditures

- General Fund Net Profit Revenues (in millions):

	Net Profits
FY18	68.8
FY19	68.1
\$ Difference	(0.7)
% Difference	(1.0%)

	June Monthly Total
FY16	8.2
FY17	7.7
FY18	7.9
FY19	12.9

- FY19-v-FY18 year-to-date totals by quarter for Net Profits:
 - Q1: Down 21% (\$9.6M-v-\$12.1M)
 - Q2: Down 18% (\$16.4M-v-\$19.9M)
 - Q3: Down 14% (\$26.5M-v-\$30.7M)
 - Q4: Down 1% (\$68.1M-v-\$68.8M)



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Update on Revenues & Expenditures

- General Fund Expenditures (in millions):

	Louisville
FY19 Original Expenditure Budget	625.9
FY19 Actual Expenditures	624.0
\$ Difference	(1.9)
% Difference	(0.3%)

- LMG's primary factors
 - Mid-year measures to slow down hiring and prudently manage expenditures
 - Late spring preparations for the FY20 budget reductions



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Year-End Ordinance

- Potential authorizations (in millions):

FY18 Unassigned Fund Balance	69.4
FY19 Budgeted Growth in Unassigned Fund Balance	0.5
Subtotal	69.9
FY19 Revenue & Expenditure Difference	6.5
FY19 Capital Budget True-Up	(0.5)
FY19 Grant Write-Offs	(0.6)
FY19 GASB Accounting Adjustments	(1.4)
Subtotal	4.0
Potential Uses of Subtotal	
Accelerate LMPD June 2020 class to May 2020	0.3
Pension offset fund for FY21-FY23 (\$900K/year)	2.7
Unassigned Fund Balance Increase	1.0
Subtotal	4.0
Potential FY19 Unassigned Fund Balance	70.9



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Year-End Ordinance

- Why focus on Pension (CERS) future contributions and Unassigned Fund Balance?
 - Pension expense will continue to increase as a recurring obligation at a greater and greater percentage of our budget—reserving some of the one-time funding as a budgetary offset will provide future flexibility in determining how best to meet the challenge
 - We continue to drift downward relative to our own policy for unassigned fund balance (as well as being noted by independent credit rating agencies)—maintaining our AA+/Aa1 credit rating will save us future borrowing costs by reducing the interest we have to pay and provide us greater resources during the fiscal year to manage our cashflow



FY20 Bond Issuance Update

Credit Rating Agency Reports

Portions of S&P's report

Credit Summary

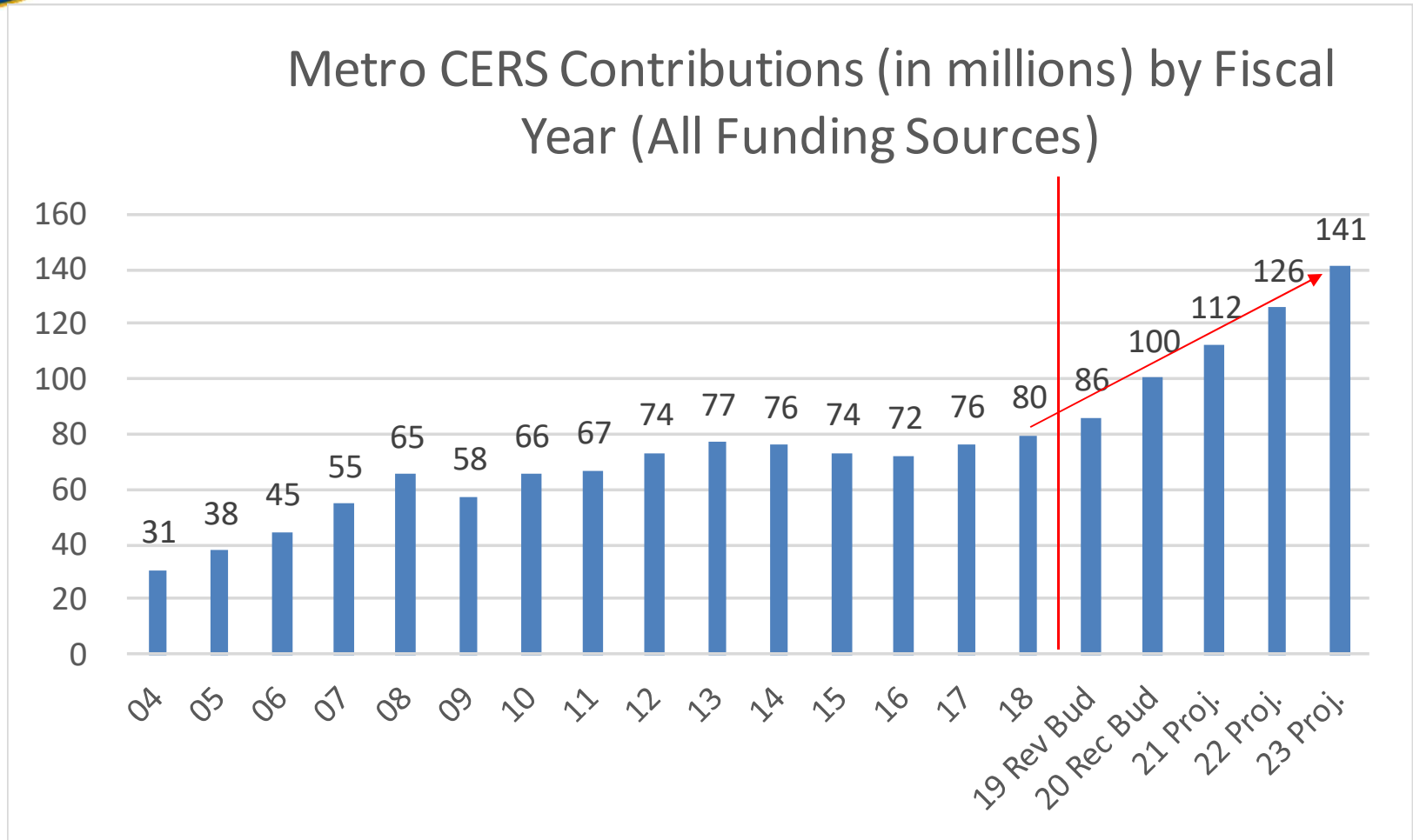
“The Louisville & Jefferson County Metropolitan Government has a vibrant economy that continues to grow. However, its biggest challenge, from our perspective, is with respect to its rising pension contributions. Our view of management is that it is strong, and we would expect that officials would continue to find a combination of cost cuts and revenue enhancements that will allow them to absorb the growing contributions without tipping the budget into structural imbalance. This could become increasingly challenging if its revenue base, which is currently growing, starts to lag, and as pensions take up more and more space in the budget.”

Adequate Budgetary Performance

“In 2020, the pension contribution increases \$14 million year over year to \$100 million. The metro government projects similar year over year increases through 2023, which could pose a challenge for the metropolitan government, particularly in years of stagnant economic growth. We expect results for total governmental funds to be similar to previous years' outcomes, and overall, we expect the metro government's budgetary performance to remain at least adequate. However, our assessment could be weakened in the future if we believe its budget shows signs of strain in accommodating future pension contributions.”



Recommended Executive Budget FY2019-2020

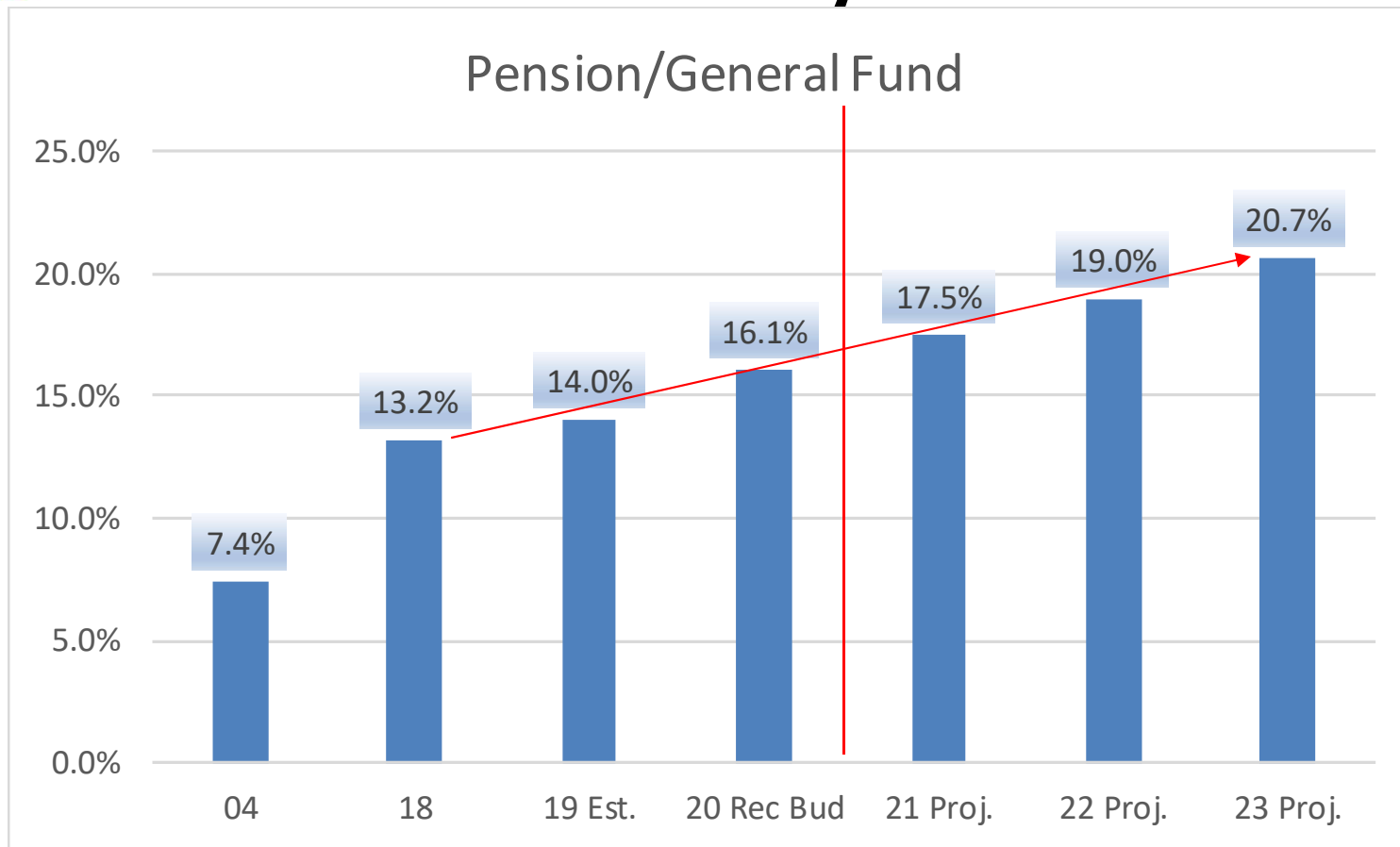


Note: estimated 12% CERS annual rate increase assumed for FY21-FY23 without any assumed wage growth



Recommended Executive Budget FY2019-2020

Pension as a Percentage of General Fund Revenues by Fiscal Year



FY21-23 Projections assume General Fund revenue growth of 3%/year and CERS pension growth of 12%/year with no wage increases from FY20



FY20 Bond Issuance Update

Credit Rating Agency Reports

Portions of Moody's report

Summary

- “Louisville Metro’s reserve and liquidity levels are satisfactory and, while they fall short of the national medians for the Aa1 rating category as a percentage of revenue, they have historically been stable, supported by conservative budgetary practices and adherence to formal fiscal policies.”

Credit Challenges

- “Lower reserves and liquidity relative to national peers”
- “Higher pension burden compared to medians for the rating category”

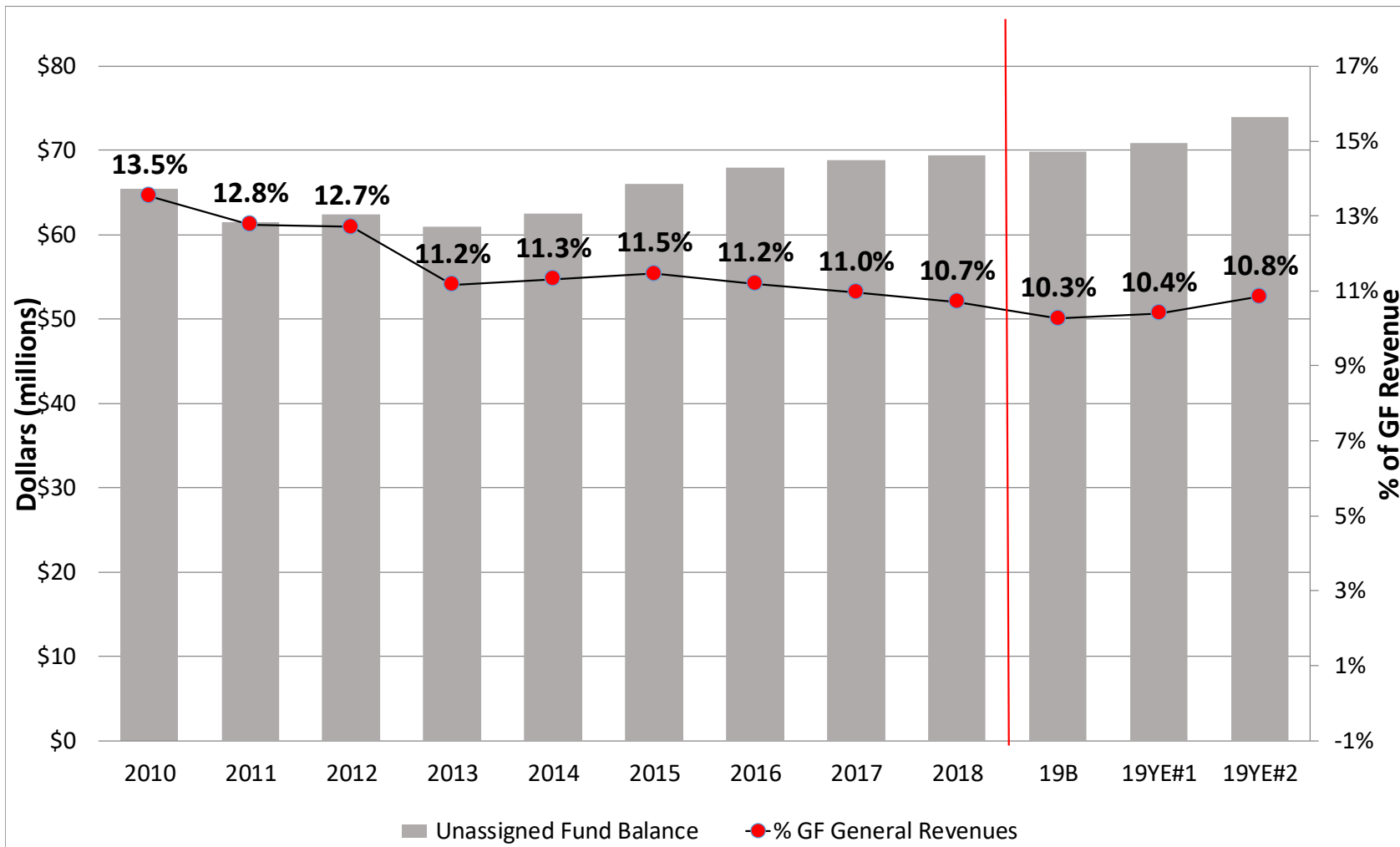
Factors that could lead to a downgrade

- “Reduction in operating flexibility and narrowing reserve levels”
- “Substantial increase in debt burden”



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GF Unassigned Fund Balance





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Question & Answer