Proposed FY21 Budget Address

May 19, 2020

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This will be my final budget message, and perhaps my most difficult, so I think it appropriate to take a quick look back to see how far we have come before we address the situation that makes our FY 21 budget so challenging.

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The newly elected Commission of the Consolidated Government of Macon-Bibb County went on a planning retreat in 2014, and the Carl Vinson Institute of Government helped us to formulate a Vision Statement and a Mission Statement. Over the last 6 years, we have remained focused on the objectives of those two statements, and as a result, we have reversed the outmigration of population and tax base and created a vibrant urban core that makes us the "Hub City" of the Middle Georgia Region.

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We met the requirements of our Charter for a 20% reduction in the General Fund budget, and between our base year of the former City and County budgets combined, which totaled $169 million, we reduced the budget for FY 17 to $144 million. Much of the credit for this accomplishment goes to dedicated Department Heads and employees who were able to do more with less!

We eliminated the former City taxes of 9.8 mils, which amounted to almost $20 million of revenue each year, and we tried to match that reduced revenue by reducing our expenses. Unfortunately, health care costs and pension funding requirements caused our actual expenses to exceed our budget, and we were unable to realize the increased revenues that we had hoped to achieve with higher sales tax revenues and franchise fees. We had to use fund balance reserves to meet our expenses, and ultimately were forced to raise taxes two years in a row to restore a healthy balance. However, even with those two increases, 2/3 of our residents are paying taxes at a lower millage rate than prior to consolidation, and the other 1/3 are seeing enhanced services and facilities.

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Fund balance increased in FY 19 by almost $14 million primarily due to reductions in health care expenses and not filling vacant positions, and this year, we were on track to see another $7 million addition to fund balance, but that was prior to COVID-19.

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The full impact of COVID-19 is unknown. There is no way to accurately estimate what the impact of COVID-19 on our revenues will be for next year, as we are only now beginning to see actual numbers for the final quarter of FY 20. I say again, we have no way to accurately calculate our revenues for FY'21.

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We do know that sales taxes for March were down by almost $300 Thousand, primarily as a result of the requirement to shelter in place and the closing of restaurants and entertainment venues for the last ½ of March; and based on the State reports of their reduced April revenues for a full month of closures, we are estimating that our reduction in sales tax for April could be $900 Thousand.

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Automobile sales are down, and the new alternative to ad valorem taxes on your car, the Title Ad Valorem Tax (TAVT) which is collected only at the time title is transferred, is expected to be dramatically reduced.

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Hotel-Motel taxes have been decimated since people are not traveling, and occupancy rates have plummeted. Those taxes are received about 60 days after a month closes, so we are not sure of the exact impact, but we expect it to be severe. We recently transitioned several outside agencies over to hotel-motel taxes, so we know that they will be dramatically affected.

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Other fees, fines, and taxes will also be affected as a result of delayed construction, show cancellations, and business closings and/or bankruptcy, each with its own ripple effects.

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Estimates of revenue loss and Reports of anticipated expense reduction methods are sobering. Furloughs and layoffs are forecast, and we are not sure how long this will last.

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Some cities have already taken dramatic action, and if we anticipate a 10 % reduction in revenues for next year, we need to find ways to cut our expenses by $16.6 million. Since 80% of our budget is personnel, and the other 20% is primarily fixed utility, gasoline, and insurance costs, it's hard to imagine a way to balance our budget without adversely impacting **our** employees.

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No one likes the idea, but I'm afraid we have no other choice. I find it ironic that my first year as Mayor in 2008 was the mortgage loan crisis that caused us to lay off about 50 employees, and here in my last year as Mayor we have COVID-19 which will require more impact on personnel. Thank goodness we have financially positioned ourselves with reserve fund balance to help us to weather this economic downturn. What I am proposing is a temporary reduction in time worked, but with a permanent adjustment to pay scale.

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National estimates of revenue reduction are 15%, but I think, and hope, that we will fare better than the national average. If we were to be down by 15%, that would equate to a loss of $24.9 million or a budget of $142 million. The last time that budget number was contemplated, it included the elimination of recreation, transit, libraries, arts, and museums.

But if we maintain our current level of expenditures, and did have that level of reduced revenues, we would almost completely eliminate our entire fund balance. That would be irresponsible and unwise. However, if we take measured steps to reduce our expenses now, I think we can get through this economic downturn without depleting our fund balance to an unacceptable level.

I AM PROPOSING A BUDGET REVENUE OF $149.6 MILLION, OR 10% LESS THAN THIS YEARS AMOUNT. THAT'S A REDUCTION OF $16.6 MILLION FROM OUR CURRENT YEARS PROJECTED REVENUES OF $166.2 MILLION. TO THAT AMOUNT, I AM PROPOSING THAT WE USE $10 MILLION OF OUR FUND BALANCE RESERVE FOR A FINAL BUDGET REVENUE OF $159.6 MILLION.

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Why do I project only a 10% reduction in revenues?

First, let's look at all our revenue sources: We are estimating minor changes in most sources but significant change to the TAXES category, which is by far the largest category of revenues.

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So, let's take a closer look at the Taxes category:

PROPERTY TAXES: $80 MILLION LESS 4%= $77 MILLION

PRIOR YEAR PROPERTY: $2 MILLION LESS 4%= $1.9 MILLION

FRANCHISE FEES $8.9 MILLION LESS 2%= $8.7 MILLION

SALES TAXES $32 MILLION LESS 33%= $21.4 MILLION

TAVT TAXES: $8.9 MILLION LESS 15% = $5.1 MILLION

INSURANCE PREMIUM TAX: $11 MILLION LESS 2%=$10.8 MILLION

OTHER FINES, FEES, AND FORFEITURES $9.8 MILLION LESS 0%=$9.8

THAT TOTALS $135 MILLION, BUT, AGAIN, THAT'S JUST AN ESTIMATE.

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So, how do I propose to accomplish the reduction in expenses to equal the reduction in revenues? I propose that we eliminate virtually all vacant positions meaning that we would not be able fill vacant positions unless absolutely essential. This will result in about $3.1 million in savings.

In light of continued restrictions on physical distancing and concerns of parents for group recreation, I am proposing that we furlough Recreation employees for June, July and August for 4 days per week, which would allow them to draw unemployment but still be able to keep their health insurance. This will result in about $660 Thousand in savings for the quarter. Hopefully, this will be limited to just these three months, and we can resume recreation activities in September.

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I am proposing furloughs of all civilian employees for 1/2 day per week on afternoons. That would amount to 1 day per pay period, and over the course of the next fiscal year, that would amount to $2.8 million in savings.

This proposal does not include emergency responders in Sheriff's Office, Fire Department, E-911, and others, as any reductions there would be offset by paying overtime to others to retain the level of emergency services we need.

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This proposed budget does not include a millage rate increase but maintains essential services.

There is no Capital Improvement Program allocation in the General Fund, but we are fortunate to have SPLOST funds that will provide some funding for Capital Improvements.

I hope to be able to implement the new pay scale effective Jan 1st. We are still waiting for the final study results, so when we come out of this temporary economic crisis, a permanent pay scale will be in place.

We are eliminating all discretionary travel and allowing only travel essential for certification and job-related requirements.

We anticipate reductions in fuel costs, small equipment, and contract services.

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This budget results in new revenues of $149.6 million, expenses of $159.6 million, and using fund balance to cover the gap.

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Our remaining Fund Balance of $17.8 million (projected)** would be about 35 days of expenses. And again, we should all be proud of having built the fund balance back up to a point where it could provide this relief.

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This leaves the proposed level of spending for Public Safety at the highest Level, by far. We owe our first responders a huge debt of gratitude for all they do for us. Our budget reflects that they are our top priority.

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This budget reduces the level our expenses for salaries and benefits to a level not seen in several years, but hopefully the elimination of vacant positions, and the reduction in the number of hours worked, which will be temporary, will be offset by a new pay scale, which will be permanent. This budget also contains the necessary expenditure of funds to maintain our commitments to pension and healthcare costs.

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Outside agencies will be challenged to accommodate some reductions in the amounts we have been provided, and some will be eliminated altogether. We have allocated a total number from the General Fund that is the same as last year's funding amounts, by category.

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I recognize that this budget will need a lot of adjustments depending on future circumstances; how much and how fast the economy rebounds will obviously impact future revenues, and a mid-year adjustment by the new Commission will be expected so that hopefully we can implement the pay scale, eliminate furloughs, restore positions and CIP. But for now, our proposed budget takes last year's budget of $166 million, reduces the expenditures by $16.6 million and contemplates a balanced budget by using $10 million of fund balance reserves for a final number of $159.4.

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In closing, I would say to our constituents that we have done what we needed to do to have a balanced budget without a tax increase, and I would say to our employees that this budget tries to steer us through troubled economic times, with the minimum amount of temporary pain to you. **I recognize and understand, however, that this is not what you deserve.** I ask only for your understanding of the circumstances that compel the proposals of this budget. I can only hope that the economic rebound will be quicker and stronger than currently contemplated, and that a mid-year budget review in January by your new Commission will result in more favorable treatment in the second half of the year.

Thank you for your attention.