

MAYOR'S BUDGET MESSAGE
FISCAL YEAR 2021

AUGUST 18, 2020

FY 2021 BUDGET MESSAGE

Mr. President and members of the City Council, it is my pleasure to come before you as the Mayor of our great City to present my first budget message.

I come before you today to present a balanced budget for your consideration and ultimately your adoption.

Montgomery has witnessed an unprecedented time in its history. The current budgeted year began on October 1, 2019 at a time when total revenue had a steady growth rate of 5%. The current year's budget was based on projections of a minimum growth rate of 2.5%. No one had any idea that a virus was coming that would affect global, national, and local economies. That virus has become known to the world as coronavirus or more commonly COVID-19.

The City of Montgomery began to feel the unprecedented impact of this virus on its citizens in March of this year. This global pandemic continues to affect us financially but, more importantly, has caused loss of life and/or livelihood for many in Montgomery. As the city is still navigating through uncharted waters, we continue to do all that we can to save lives.

Like most communities throughout the nation, Montgomery continues to witness an economic slowdown during the current fiscal year. We have been able to weather the storm by cutting departmental budgets 10% as of June 1st through the remainder of the fiscal year. Additionally, filling of vacancies were kept to a minimum for only positions that were considered critical in order for departments to operate efficiently.

Now that we are in the eleventh month of the fiscal year, these measures along with citizens putting stimulus funds and increased unemployment compensation payments back into the economy have lessened the

decline of the City's largest revenue stream. This is from sales and use taxes which constitutes approximately 45% of the current year's budget. The overall increase in this revenue stream over the previous year is still around 3% for the year.

Although the increase in sales and use taxes has lessened the revenue shortfall for FY 2020, there are various revenue streams that have not done as well. For instance, lodging tax has an overall negative growth rate of approximately 20% year over year. Also, gasoline tax has a negative growth rate that is a little more than 3% compared to last year.

Although the City will have a shortfall in revenue, it is projected that it will not be nearly as profound as originally anticipated. The current projection for the shortfall in revenue could be as low as \$6 million dollars or a little more than 2% of the current year's budget as long as sales and use taxes remain level for the rest of the fiscal year.

Many of you, as members of the City Council, attended the budget meetings and saw how we reduced expenses in order to deal with the reality of the revenue shortfall that is projected in FY 2021. I thank you for your feedback that helped with the composition of this budget. As a result, all city departments presented reduced budgets resulting in an overall 7.6% savings to offset the anticipated revenue shortfall.

I am presenting to you today a balanced General Fund budget that is more than \$17 million dollars or 6.7% less than the current year's budget. The City was unable to provide merit raises to a well deserving workforce in this budget. However, we didn't furlough or layoff any employees. Although there was no funding included for employee merit raises, employees will not be burdened with increased health insurance costs in FY 2021.

Also, the funding for vacancies was not affordable in the budget I am presenting today. When employees resign or retire from the City's workforce those positions will not be filled unless they are critical in providing services to the citizens of Montgomery. Through attrition, the

City will have savings of \$6.9 million dollars or nearly 3% that will be used to offset the revenue shortfall.

Additionally, a resolution is on the agenda today for Council approval for the City to offer Tier I retirement benefits to its Tier II employees. This will provide better retirement benefits for current and future employees while at the same time giving the City a tool for recruiting and retaining quality workers for years to come; especially Public Safety.

Montgomery has a long history of supporting many outside agencies. These organizations provide valuable services to our citizens. Some of these agencies will also be affected by the reality of the economic times in which we are navigating and will have reduced appropriations in this year's budget.

I want to spend a few minutes acknowledging the hard work that allowed us to get to this point. Our Municipal Cabinet Officials and their staff members spent a lot of time preparing a zero base budget and evaluating their operations to prepare their budgets for FY 2021. They will continue to provide crucial services to the citizens, visitors and businesses of Montgomery with less resources.

We also have a group of employees who did yeoman's work preparing the budget. Betty Beville and her staff in the Finance Department have worked tirelessly for long hours projecting revenues and screening proposed expenditures for the FY 2021 budget.

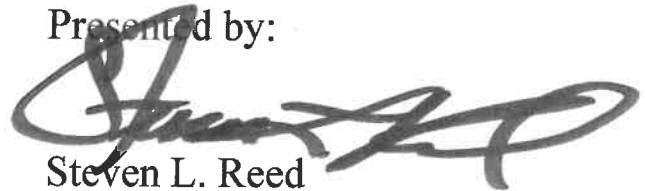
I also want to, especially, thank our current Budget Officer, Mrs. Mary Thaggard, for her dedication and professionalism over the last twenty-eight years working for the City. Mary is retiring on August 31st after twenty-one years working in the Budget Office. We thank Mary and wish her only the best as she begins another phase of her life's journey.

Although the COVID-19 pandemic has adversely impacted the revenue of the City, this administration has a vision for all of the people of Montgomery. Many of the things that we plan to do to build a "better

Montgomery” for all residents will not come to fruition as soon as I would like; however, we have a vision because according to Scripture “where there is no vision, the people will fail”. As Mayor of Montgomery, I do not see failure as an option.

In conclusion, the proposed budget being presented to you today has a dollar value of \$242,600,312 for your approval. Although City spending is being reduced by more than \$17 million dollars or 6.5%, I am confident this proposed budget will allow the City to move forward on our path to building a better Montgomery where more opportunities abound for everyone.

Presented by:

A handwritten signature in black ink, appearing to read 'Steven L. Reed', written over the printed name.

Steven L. Reed
Mayor